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Cabinet Agenda

Monday, 30 January 2023 at 6.00 pm

Council Chamber, Muriel Matters House, Breeds Place, Hastings, East Sussex, TN34 3UY

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CABINET

3 JANUARY 2023

Present: Councillors Barnett (Chair), Batsford, Cannan, and Rogers.

In attendance: Mary Kilner (Chief Legal Officer), Kit Wheeler (Chief Finance Officer), Simon Jones (Deputy Chief Finance Officer), Kevin Boorman (Marketing and Major Projects Manager), Andrew Palmer (Assistant Director, Housing and Built Environment).

490. APOLOGIES FOR ABSENCE

Apologies for absence received from Councillors Evans, Roark and Willis.

491. DECLARATION OF INTERESTS

Councillor	Minute	Interest
Cannan	495 & 497 – Housing Acquisition Proposal Part 1 & 2	Personal – Works at the Seaview project
Rogers	495 & 497 – Housing Acquisition Proposal Part 1 & 2	Personal – Board member of FSN who are acquiring temporary accommodation. Also a volunteer for homelessness charity Snowflake Trust

492. MINUTES OF LAST MEETING

RESOLVED – that the Minutes of the Meeting held on 5th December 2022 be approved as a true record.

493. NATIONAL PORTFOLIO ORGANISATION FUNDING 2023-26

The Leader of the Council called this item first.

Councillor Carr was present and asked if there were any conditions attached to the funding, such as required opening hours?

The Marketing and Major Projects Manager presented a report to request approval of the museum's entry into Arts Council England's National Portfolio 2023-26. The Marketing and Major Projects Manager thanked the outgoing Museum Manager, Damian Etheraads, for putting this successful bid together alongside colleagues at the Museum.

This National Portfolio funding is intended to cover the project costs required for the Museum's community work, building on the work the Museum has been doing with local communities over the past few years. The funding cannot be used to cover core costs, such as staffing or building costs. The Museum's application was designed to deliver the Museum business plan and is based on having the same core staffing complement as is currently in place.

The Museum's National Portfolio programme puts inclusivity and community involvement at the heart of its work and aims to connect people and communities with cultural activities to improve health and wellbeing and provide access to lifelong learning opportunities.

In response to Councillor Carr's question the Marketing and Major Projects Manager said that as far as he is aware there are no requirements for specific times or days to be open.

Councillor Batsford proposed approval of the recommendations, seconded by Rogers.

RESOLVED (unanimously):

To accept Arts Council's England's invitation to join the National Portfolio from April 2023 until March 2026.

Reasons:

1. The National Portfolio provides funding for the museum to deliver three years of activity at the Museum and in the areas around the town.

2. The funding will help the Museum deliver its business plan outcomes.

494. TREASURY MANAGEMENT MID YEAR REPORT 2022 - 23

The Deputy Chief Finance Officer presented a report to advise the Cabinet of the Treasury Management activities and performance during the current year.

Councillor Rankin was present and commented that the report should show the true cost of borrowing, which is higher than the average interest rate included in the report. This would enable Councillors to make better decisions which it comes to borrowing.

The Chief Finance Officer responded that the minimum revenue provision (MRP) is included as part of all projects and is a key consideration in the decision-making process. Borrowing rates change and officers try to give an indicative figure as to what the borrowing costs could be.

Councillor Carr asked what other options are available for the long-term financial sustainability of the Council should the current model of borrowing to invest in assets such as industrial units become unviable?

The Leader of the Council noted the buoyancy of local industry, with all Council owned industrial units currently occupied and more space being requested by businesses. The Chief Finance Officer said that the Council has a balanced approach to investments and officers make sure units are let for the best possible rents.

Councillor Patmore asked how the performance of assets is compared, when some may have been funded by borrowing and others through the general reserve, it is not comparing like for like. The Chief Finance Officer said the Council has a consistent approach to asset management. Having a good understanding of the asset is vital when it comes to the financial assessment.

The Leader of the Council thanked officers for the safe management of the Council's finances.

Councillor Barnett proposed approval of the recommendations, seconded by Councillor Rogers.

RESOLVED (unanimously):

Cabinet recommends that Full Council note the mid-year report.

Reasons:

The Code of Practice on Treasury Management requires, as a minimum, a mid-year review of the Treasury Management Strategy and performance. This is intended to highlight any areas of concern that have arisen since the original strategy was approved (February 2022). It is a requirement of the Code of Practice that the Mid-year review is considered by Cabinet, Audit Committee and full Council.

495. HOUSING ACQUISITION PROPOSAL (PART 1)

The Assistant Director, Housing and Built Environment, presented a report to outline proposals to acquire a portfolio of up to fifty additional homes as a means of providing more suitable and cost-effective temporary accommodation solutions for homeless households in Hastings.

Councillor Carr asked if the budgeted maintenance costs were too low and if there was an appropriate amount set aside for cyclical repairs and contingency.

Councillor Hilton asked how the Council intends to link this scheme to a wider housing strategy for the town. There is now an opportunity to have a public discussion on the wider housing issues and develop a new strategy.

Councillor Rankin asked why the Council hadn't considered this approach earlier? However, Councillor Rankin commented that he was concerned the Council won't be able to act quickly enough to deliver.

The Assistant Director said that the supply side is expected to improve in the next three years, with new affordable rented accommodation coming on stream. In the interim the Council has a problem accommodating people in financially sustainable accommodation. The scheme will form part of a wider housing strategy which will be set out at a later date. The scheme will produce savings over the longer term and leave the Council with housing assets.

Maintenance costs are averaged out and based on industry standards. The Council is not anticipating buying properties which require a lot of renovation.

The target of 50 properties is based on discussions with a local housing provider and their assessment of what supply will be.

It was confirmed that Homes England are supportive of the project but they will need to see proposals around specific properties before they agree to any funding.

Councillor Cannan proposed approval of the recommendations, seconded by Councillor Batsford.

RESOLVED (unanimously):

That Cabinet recommends that Full Council approves:

1. an acquisition programme to acquire up to 50 homes for temporary accommodation use;

2. that a capital budget for £11,865,400 is established to meet the cost of the acquisitions with revenue costs met by the Temporary Accommodation budget; and

3. that delegated authority be given to the Assistant Director, Housing & Built Environment, and the Chief Finance Officer, to complete the acquisitions, including any associated procurement.

Reasons:

1. The Council urgently needs to find more suitable placements for many of the homeless households who the council are required to accommodate whilst arranging access to longer term and more settled accommodation.

2 A programme of acquiring up to 50 homes will provide a better solution for those owed such a duty by the council and will also have a significant positive impact upon the council's temporary accommodation costs.

3. In addition to the revenue cost savings to be achieved, the Council will be obtaining capital housing assets with no outstanding debt on the properties at the end of a 40-year loan period.

496. EXCLUSION OF THE PUBLIC

RESOLVED:

That the public be excluded from the meeting during the consideration of the items of business listed below because it is likely that if members of the public were present there would be disclosure to them of "exempt" information as defined in the paragraphs of schedule 12A to the Local Government Act 1972 referred to in the relevant report.

Councillor Batsford left the meeting.

497. HOUSING ACQUISITION PROPOSAL (PART 2)

The Assistant Director, Housing and Built Environment, presented a report to outline proposals to acquire a portfolio of up to fifty additional homes as a means of providing more suitable and cost-effective temporary accommodation solutions for homeless households in Hastings.

Councillor Barnett thanked the housing and finance teams for their work on the report.

Councillor Cannan proposed approval of the recommendation, seconded by Councillor Rogers.

RESOLVED (unanimously):

That Cabinet recommends that Full Council approves:

1. an acquisition programme to acquire up to 50 homes for temporary accommodation use;

2. that a capital budget for £11,865,400 is established to meet the cost of the acquisitions with revenue costs met by the Temporary Accommodation budget; and

3. that delegated authority be given to the Assistant Director, Housing & Built Environment, and the Chief Finance Officer, to complete the acquisitions, including any associated procurement.

Reasons:

1. The Council urgently needs to find more suitable placements for many of the homeless households who the council are required to accommodate whilst arranging access to longer term and more settled accommodation.

2 A programme of acquiring up to 50 homes will provide a better solution for those owed such a duty by the council and will also have a significant positive impact upon the council's temporary accommodation costs.

3. In addition to the revenue cost savings to be achieved, the Council will be obtaining capital housing assets with no outstanding debt on the properties at the end of a 40-year loan period.

(The Chair declared the meeting closed at 7.32pm)

Agenda Item No:

Report to: **Cabinet**

Date of Meeting: **30 January 2023**

Report Title: **Minimum Revenue Provision method change 2022-23**

Report By: **Simon Jones**
Deputy Chief Finance Officer

Purpose of Report

This report has been produced to support the Council's proposed changes in Minimum Revenue Provision (MRP) calculation methods.

Recommendation

Cabinet is asked to recommend the following to full Council:

1) The MRP method for supported borrowing is revised to the annuity method using average PWLB rate for the year (01/04/2022 to 31/03/2023).
2) The MRP method for unsupported borrowing is revised to the annuity method using average PWLB rate for the year (01/04/2022 to 31/03/2023) weighted combined basis.
3) That the revised MRP Policy Statement shown at Appendix C is approved for 2022/23.
4) That the revised MRP Policy Statement shown at Appendix C becomes the default MRP Policy for the Council going forward pending annual review as part of the Treasury Management Strategy.

Reasons for Recommendations

These revisions to the methods for calculating MRP will result in reduced charges to the General Fund revenue account helping to reduce costs and preserve vital local services at a time when budgets are under severe pressure. The in-year savings made can be taken now to reduce the MRP charge, and hence pressure on the budget, used to make Voluntary Revenue Provision (VRP) charges that can be used to offset MRP charges in future years to alleviate budget pressures then or a combination of the two approaches.

The changes will also align the Council's policy to what is considered best practice by CIPFA and is determined as more prudent. It is also considered fairer to Taxpayers as it results in the debt liability being repaid earlier and doesn't leave future generations to foot the bill for assets that were purchases many years ago where the economic benefits have been fully consumed.

Background

1. Minimum Revenue Provision (MRP) for Debt Repayment

1.1. In accordance with the Local Authorities (Capital Finance and Accounting) (England) regulations 2003, the Authority is required to pay off an element of accumulated General Fund capital expenditure financed from borrowing through an annual revenue charge known as the Minimum Revenue Provision (MRP).

1.2. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) regulations 2008 require the Authority to determine a level of MRP it considers to be prudent, whilst having regard to the current MRP Guidance issued by MHCLG (now renamed DLUHC) in 2018. The Guidance gives four ready-made options for determining MRP which it considers to be prudent but does not rule out alternative approaches.

1.3. The overriding requirement of the Guidance is to set a prudent provision which ensures that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

1.4. The Guidance requires that before the start of each financial year the Authority prepares a statement of its policy on making MRP in respect of the forthcoming financial year and submits it to full Council for approval.

1.5. The Guidance allows the Authority to change the MRP policy at any time during the year.

1.6. The Government has recently consulted on changes to the MRP regulations with an intention to make explicit that (i) capital receipts may not be used in place of the revenue charge, and (ii) there should be no intentional exclusion of debt from the MRP determination because it relates to an investment asset or capital loan. Following the consultation, the government issued a further survey seeking views on further proposed amendments to the MRP regulations that would provide additional flexibilities with respect to capital loans. The proposed changes along with updated MRP Guidance are anticipated to be implemented in April 2024 but they are not expected to have a major impact for this Authority.

Proposal

2. Proposed updated method for calculating MRP

2.1. A review of the Authority's MRP policy was recently undertaken by Link Group (Link). The objective of the review was to identify opportunities to move to a more suitable and cost effective MRP strategy whilst ensuring that the provision remains prudent and compliant with statutory guidance. The review has identified various options which could be implemented within statutory guidance and the Authority has chosen within these options to adopt the most suitable approach.

2.2. The Authority's current MRP policy for supported borrowing prior to 2008 is calculated on a 4% reducing balance method including a reduction for Adjustment A. The alternative options identified are for MRP to be calculated using either the straight-line method or an annuity method over 50 years. A change to an annuity method can be seen as more prudent than the current method because the debt liability will be repaid in a much shorter time. The write-down period using the annuity method over 50 years will repay the debt liability faster than the current reducing balance method which will take over 100 years.

2.3. The Authority's current MRP policy for unsupported borrowing is the asset life method in accordance with the MRP guidance. The guidance allows either a straight-line or annuity approach to be used for calculating MRP when using the asset life method. The Authority currently uses the straight-line method. The Authority could alternatively use an annuity method over the asset life, having the benefit of a reduction in MRP charges in the near term.

2.4. A change to use the annuity method for both supported and unsupported borrowing would be a change in the method of calculating MRP rather than a change in policy. The current policy provides for either a straight-line or annuity approach to be applied, in line with the MRP guidance. An annuity method is considered as prudent as the straight-line method since the asset lives currently being used will not be changed. It can be argued that the annuity method provides a fairer charge than the straight-line method since it results in a consistent charge over the asset's life, considering the time value of money.

2.5. Link have carried out extensive research on current MRP policies in England and have observed that the annuity method of calculating MRP on unsupported borrowing is used by over 50% of Authorities throughout the country.

2.6. It is recommended that the Authority considers implementing these options, for which the MRP savings for the first 5 years is shown below, and the full financial impact of the proposed change is provided in Appendices A and B.

Supported borrowing (Appendix A)

Option 1c – annuity using Average PWLB rate for the year (01/04/2022 to 31/03/2023)

Year	Original charge £'000	Revised charge £'000	(Saving) / Cost £'000
2022/23	121	21	(100)
2023/24	116	21	(95)
2024/25	112	22	(90)
2025/26	107	23	(84)
2026/27	103	24	(79)
5y TOTAL			**(448)**

Unsupported borrowing (Appendix B)

Option 2d – annuity using PWLB average rates for the year (01/04/2022 to 31/03/2023): weighted combined basis

Year	Original charge £'000	Revised charge £'000	(Saving) / Cost £'000
2022/23	1,586	819	(767)
2023/24	1,620	851	(769)
2024/25	1,642	886	(756)
2025/26	1,631	921	(710)
2026/27	1,642	958	(684)
5y TOTAL			**(3,686)**

2.7. The impact of the changes are:

- The annuity method of calculating MRP can be seen as a more prudent basis for providing for capital expenditure which provides a steady flow of benefits over their useful life.
- It can provide a fairer charge than a straight-line methodology as it provides a consistent charge over an asset's life when considering the time value of money.
- It provides a charge that is better matched to how the benefits of the asset financed by borrowing are consumed over its useful life. That is, a method that reflects the fact that asset deterioration is slower in the early years of an asset and accelerates towards the latter years.
- A weighted average method of calculation is a much simpler calculation than the current method, providing for more concise and user-friendly working papers.
- The proposed changes will lead to the Capital Financing Requirement in the short-term reducing more slowly than under the Authority's current MRP policy. The potential costs will depend on the Authority's treasury position, and potential changes in spending that may occur as a result of revenue savings.

2.8. Whilst the proposed changes to the MRP calculation methodology do not constitute a change in MRP policy, the Authority could update the wording in the MRP policy to make the methodology used more explicit. The updated MRP policy is shown at Appendix C.

2.9. The MRP guidance allows the Authority to review its MRP policy every year and set a policy that it considers prudent at that time. The impact of the revised MRP calculation methodology will be kept under regular review to ensure that the annual provision is prudent.

Timetable of Next Steps

1. Please include a list of key actions and the scheduled dates for these:

Action	**Key milestone**	**Due date (provisional)**	**Responsible**
Review and revise Annual Treasury Management Strategy & Capital Strategy	Setting of 2024/25 Budget	February 2024	Deputy Chief Finance Officer
Treasury Management Outturn Report to Cabinet	Close of 2023/24 accounts	July 2024	Deputy Chief Finance Officer

Wards Affected

None

Area(s) Affected

None

Implications

Relevant project tools Applied? N/A

Climate change implications considered? N/A

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	No

Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No
Anti-Poverty	No

Additional Information

Appendix A: MRP Policy change full calculations – Supported borrowing
Appendix B: MRP Policy change full calculations – Unsupported borrowing
Appendix C: Minimum Revenue Provision (MRP) Policy Statement 2022-23

Treasury Management Strategy 2023-24 (Appendix 1: MRP An Introduction)

Officer to Contact

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Simon Jones
Deputy Chief Finance Officer
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Appendix A – MRP Policy change full calculations – Supported borrowing

Financial year	Current repayments £'000	Revised repayments £'000	(Reduction)/ cost £'000	NPV £'000
2022/23	121	21	(100)	(97)
2023/24	116	21	(95)	(89)
2024/25	112	22	(89)	(81)
2025/26	107	23	(84)	(73)
2026/27	103	24	(79)	(66)
2027/28	99	25	(74)	(60)
2028/29	95	26	(69)	(54)
2029/30	91	27	(64)	(49)
2030/31	87	28	(59)	(44)
2031/32	84	29	(55)	(39)
2032/33	80	30	(50)	(34)
2033/34	77	31	(46)	(30)
2034/35	74	33	(42)	(27)
2035/36	71	34	(37)	(23)
2036/37	68	35	(33)	(20)
2037/38	66	36	(29)	(17)
2038/39	63	38	(25)	(14)
2039/40	60	39	(21)	(11)
2040/41	58	41	(17)	(9)
2041/42	56	42	(13)	(7)
2042/43	54	44	(9)	(5)
2043/44	51	46	(6)	(3)
2044/45	49	48	(2)	(1)
2045/46	47	49	2	1
2046/47	45	51	6	2
2047/48	44	53	10	4
2048/49	42	55	13	5
2049/50	40	58	17	7
2050/51	39	60	21	8
2051/52	37	62	25	9
2052/53	36	64	29	10
5053/54	34	67	33	11
2054/55	33	70	37	12
2055/56	31	72	41	13
2056/57	30	75	45	13
2057/58	29	78	49	14
2058/59	28	81	53	15
2059/60	27	84	57	16
2060/61	26	87	62	16
2061/62	25	91	66	17
2062/63	24	94	71	17
2063/64	23	98	75	18
2064/65	22	102	80	18

Financial year	Current repayments £'000	Revised repayments £'000	(Reduction)/ cost £'000	NPV £'000
2065/66	21	106	85	19
2066/67	20	110	90	19
2067/68	19	114	95	19
2068/69	19	118	100	20
2069/70	18	123	105	20
2070/71	17	128	111	21
2070/72	16	133	116	21
Years 51+	393	0	(393)	(38)
	3,026	**3,026**	**0**	**(526)**

Appendix B – MRP Policy change full calculations – Unsupported borrowing

Financial year	Current repayments £'000	Revised repayments £'000	(Reduction)/ cost £'000	NPV £'000
2022/23	1,586	819	(767)	(741)
2023/24	1,620	851	(769)	(718)
2024/25	1,642	886	(756)	(682)
2025/26	1,631	921	(710)	(619)
2026/27	1,642	958	(684)	(576)
2027/28	1,552	996	(556)	(452)
2028/29	1,524	1,036	(488)	(384)
2029/30	1,522	1,078	(444)	(337)
2030/31	1,526	1,121	(406)	(298)
2031/32	1,519	1,166	(354)	(251)
2032/33	1,539	1,212	(327)	(224)
2033/34	1,486	1,261	(225)	(149)
2034/35	1,493	1,311	(182)	(116)
2035/36	1,479	1,364	(115)	(71)
2036/37	1,484	1,418	(66)	(39)
2037/38	1,501	1,475	(26)	(15)
2038/39	1,515	1,534	19	11
2039/40	1,536	1,596	60	32
2040/41	1,560	1,660	99	52
2041/42	1,585	1,726	141	71
2042/43	1,611	1,795	184	89
2043/44	1,623	1,867	244	115
2044/45	1,648	1,942	293	133
2045/46	1,672	2,020	348	152
2046/47	1,690	2,100	410	174
2047/48	1,717	2,185	468	191
2048/49	1,719	2,272	553	218
2049/50	1,742	2,363	621	237
2050/51	1,745	2,458	712	263
2051/52	1,774	2,556	782	279
2052/53	1,773	2,658	886	305
2053/54	1,805	2,765	960	319
2054/55	1,840	2,875	1,035	333
2055/56	1,854	2,991	1,137	353
2056/57	1,891	3,110	1,219	366
2057/58	1,628	3,235	1,607	466
2058/59	1,119	0	(1,119)	(313)
2059/60	527	0	(527)	(143)
2060/61	327	0	(327)	(86)
2061/62	286	0	(286)	(72)
2062/63	275	0	(275)	(67)
2063/64	281	0	(281)	(66)
2064/65	283	0	(283)	(64)

Financial year	Current repayments £'000	Revised repayments £'000	(Reduction)/ cost £'000	NPV £'000
2065/66	290	0	(290)	(64)
2066/67	297	0	(297)	(63)
2067/68	293	0	(293)	(60)
2068/69	301	0	(301)	(60)
2069/70	309	0	(309)	(59)
2070/71	317	0	(317)	(59)
2071/72	0	0	0	0
	63,581	**63,581**	**0**	**(2,691)**

Appendix C

Minimum Revenue Provision (MRP) Policy Statement 2022-23

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) regulations 2008 require the Authority to calculate a prudent provision of MRP whilst having regard to the current MRP Guidance (2018). The broad aim of prudent provision is to ensure that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The Guidance gives four ready-made options for calculating MRP but the Authority can use any other reasonable basis that it can justify as prudent.

The MRP policy statement requires full Council approval in advance of each financial year.

It is recommended that Council approves the following MRP Policy Statement.

- Supported borrowing incurred before 1st April 2008 will apply the Asset Life Method using an annuity calculation over 50 years.
- Unsupported borrowing will be subject to MRP using the Asset Life Method, which will be charged over a period which is reasonably commensurate with the estimated useful life of the assets. An annuity method will be applied for the MRP calculation.
- The interest rate applied to the annuity calculations will reflect the market conditions at the time. For the current financial year the interest rate used will be average PWLB rate for the year (01/04/2022 to 31/03/2023).
- MRP will commence in the financial year following the one in which the expenditure was incurred, or in the year after the asset becomes operational.
- MRP in respect of unsupported borrowing taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset life method as recommended by the MRP guidance.
- MRP in respect of assets acquired under PFI or Finance Leases will be charged at a rate equal to the principal element of the annual lease rental for the year in question.
- MRP Overpayments - The MRP Guidance allows that any charges made in excess of the statutory MRP, i.e. voluntary revenue provision (VRP) or overpayments, can be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. The VRP overpayments up to 31st March 2022 are £0.
- On an annual basis the Section 151 Officer shall review the level of MRP to be charged, to determine if this is at a level which is considered prudent based on the Authority's circumstances at that time, taking into account medium / long

term financial plans, current budgetary pressures, current and future capital expenditure plans. Dependant on this review the Section 151 officer will adjust the annual MRP charge by making VRP or reclaiming previous VRP. The amount of MRP charged shall not be less than zero in any financial year.

Report To:	**Cabinet**
Date of Meeting:	**30 January 2023**
Report Title:	**Draft Treasury Management, Annual Investment Strategy and Capital Strategy 2023/24**
Report By:	**Simon Jones** **Deputy Chief Finance Officer**
Key Decision:	**Yes**
Classification:	**Open**

Purpose of Report

To consider the draft Treasury Management Strategy, Annual Investment Strategy, Minimum Revenue Provision (MRP) Policy and Capital Strategy and make recommendations to full Council as appropriate. This is to ensure that there is an effective framework for the management of the Council's investments, cash flows and borrowing activities prior to the start of the new financial year.

The Council is expected to have some £65.4 million of external debt (as at 31 March 2023), and investments which can fluctuate between £15m and £35m in the year. The level of debt is set to increase to some £110.3m by 2024/25.

Recommendations

Cabinet recommends full Council that:

A. The Council approve the Treasury Management Strategy, Minimum Revenue Provision (MRP) Policy, Annual investment Strategy and the Capital Strategy.

B. The strategies listed are updated as necessary during 2023/24 in the light of changing and emerging risks and the Council's evolving future expenditure plans.

Reasons for Recommendations

1. The Council seeks to minimise the costs of borrowing and maximise investment income whilst ensuring the security of its investments. The Council continues to make substantial investments in property, housing and energy generation initiatives, and this will continue to involve the Council in taking on additional borrowing.

2. The sums involved are significant and the assumptions made play an important part in determining the annual budget. The CIPFA Treasury Management Code of Practice, previously adopted by the Council, has been revised to take account of the more commercialised approach being adopted by councils and the enhanced levels of transparency required. The Code has represented best practice and helps ensure compliance with statutory requirements.

3. The Council has the ability to diversify its investments and must consider carefully the level of risk against reward against a background of historically very low interest rates. Investments can help to close the gap in the budget in the years ahead and thus help to preserve services, assist in the regeneration of the town, provide additional housing and enhance the long-term sustainability of the town. However, over reliance on such income streams would involve taking unnecessary risks with the future of the Council and its ability to deliver statutory services.

Introduction

1. The Council is required to operate a balanced budget, which broadly means that cash raised 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.

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

3. The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity and 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 result in a loss to the General Fund balances.

4. Treasury management in this context is defined by CIPFA 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"

5. The Cabinet are due to receive the same report and strategies at its meeting on the 6 February 2023 and will thereafter make recommendations on the policies and strategies to full Council on 15 February 2023.

Revisions to the Prudential Code and Treasury Management Code

6. CIPFA published the revised Codes on 20th December 2021 and has stated that revisions need to be included in the reporting framework from the 2023/24 financial year. The Council, therefore, 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.

7. The Treasury Management Strategy details the requirements of the revised codes.

Borrowing / Borrowing Levels

Investment guidance

8. The revised Treasury Management Code requires all investments and investment income to 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 an authority'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.

The Primary Requirements of the Code

9. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.

10. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.

11. Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Capital Strategy, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.

12. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

13. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit Committee.

14. Publication of the Strategies on the Council's website.

Reporting Arrangements

15. The reporting arrangements proposed, in accordance with the requirements of the Code, are summarised below:-

Area of Responsibility	**Council/ Committee/ Officer**	**Frequency**
Treasury Management Strategy / Annual Investment Strategy / MRP policy/ Capital Strategy (in future years)	Cabinet and Council	Annually before the start of the year
Treasury Management Strategy / Annual Investment Strategy / Capital Strategy/MRP policy – Mid Year report	Cabinet and Council	Mid-year
Treasury Management Strategy/Capital Strategy / Annual Investment Strategy / MRP policy – updates or revisions at other times	Cabinet and Council	As required
Annual Treasury Outturn Report	Cabinet and Council	Annually by 30 September after the end of the year
Treasury Management Practices	S151 Officer	Reviewed as required (minimum - annually)

Scrutiny of Treasury Management Strategy	Audit Committee	Annually before the start of the year
Scrutiny of treasury management performance and strategy	Audit Committee	Quarterly Monitoring reports, Mid-Year report,

16. The CIPFA Code of Practice on Treasury Management (2021) was adopted by this Council in February 2022. The main clauses adopted are included in Appendix 8.

17. The Audit Committee is required to consider the Prudential Indicators as part of the Treasury Management Strategy and make recommendations to Cabinet and full Council; these are identified in the report and Appendix 4 of the Treasury Management Strategy.

Capital Strategy

18. In the light of the increasing commercialisation within local government in particular, in December 2017, CIPFA issued revised Prudential and Treasury Management Codes. The codes require all local authorities to produce detailed Capital Strategies.

19. The Capital Strategy is intended to give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

20. The development of such a strategy allows flexibility to engage with full council to ensure that the overall strategy, governance procedures and risk appetite are fully understood by all elected members.

21. The Capital Strategy should be tailored to the authority's individual circumstances but should include capital expenditure, investments and liabilities and treasury management. The Capital Strategy should include sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured and to meet legislative requirements on reporting.

22. The Capital strategy being a high-level document that summarises in appropriate detail the requirements for specific investment appraisals. As a minimum such requirements being:

- The capital schemes that are proposed and their objectives
- The legal power to undertake a particular scheme
- The key aspects of the financial appraisal, including any significant risks that have been identified
- Qualitative criteria that have underpinned the recommendation for a scheme to proceed e.g. links to Corporate plan, economic growth, job retention, etc.
- Likely source of funding
- Long term implications
- Risks and affordability

23. In assessing new income generating proposals the Council does already consider the above list of issues as part of the due diligence checklist and decisions are fully

documented.

24. This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.

25. The Capital Strategy looks to cover a much longer planning period than the existing capital programme. The future expenditure plans continue to evolve. The capital strategy and all the prudential indicators and controls are attached for the known schemes. Borrowing limits will need to be determined by full Council based on affordability and risk in due course.

Risk Management

26. The Investment strategy prioritises security of investments over return. Where investments are made, they are limited in size and duration. External treasury advisers are used to advise the Council and have been used to train members. The Council has introduced further checks on credit worthiness of counterparties over the years as and when these have been further developed by its advisers.

27. Whilst there is no absolute security for investments made, the Council has limited its investments to the higher rated institutions, in order to mitigate the risk as far as practical and looks to reduce the risk by spreading its investment portfolio. The Council has adopted the CIPFA Code of Practice.

28. 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.

29. The training needs of treasury management officers will also be reviewed in the light of the Code’s requirements and experience of new staff.

30. The additional risks that the Council has taken on with commercial property, housing and energy investments needs to be considered in the context of the totality of risk that the Council faces e.g. unexpected expenditure demands, robustness of income streams, loans and guarantees to other parties, economic downturns, pandemics etc. Where there is more risk and volatility in income streams the Council will need to ensure that it maintains sufficient reserves to ensure the Council’s ability to deliver key services is not jeopardised.

31. The Council spreads its risk on investments by limiting the amount of monies with any one institution or group and limiting the timeframe of the exposure. In determining the level of the investment and period the Council considers formal credit ratings (Fitch) along with its own advisers (Link Group) ratings advice.

32. The security of the principal sum remains of paramount importance to the Council.

Economic/Financial Implications

33. The Council generally has investments in the year of between £15 million and £35 million at any one time and is estimated to have longer term borrowings of £65.4m by the end of March 2023 (if no further external borrowing is undertaken). Management of its investments, borrowing and cash flow remains crucial to the proper and effective management of the Council. The Strategies and Policies detailed in the report directly influence the Council's Medium Term Financial Strategy and the annual budget.

Organisational Consequences

34. The Cabinet is responsible for the development and review of the Treasury Management Strategy, Minimum Revenue Provision (MRP) Policy, Investment Strategy and the future Capital Strategy. The Audit Committee is responsible for scrutinising these strategies, policies and performance throughout the year. Full Council, as the budget setting body, remains responsible for the approval of the Treasury Management Strategy, MRP Policy, and Investment Strategy and for the Capital Strategy.

35. Monitoring reports will be produced and will be presented to Cabinet and the Audit Committee. A mid-year report is presented to full Council on any concerns arising since approving the initial strategies and policies. Only full Council will be able to amend the Treasury Management Strategy, MRP Policy, Investment Strategy or Capital Strategy. The Chief Finance Officer will determine the Treasury Management Practices and associated schedules.

36. There are new responsibilities placed on the Council and the Chief Finance officer from the 2021 Codes of Practice which relate to governance arrangements, ensuring robustness of business cases, and risk management. The risk management requirements relate to asset related properties which the Council has borrowed to finance, and assessments of overall risk.

37. There are specific requirements to maintain schedules of counterparties and of any guarantees that the Council may give or have given in the past in order to fully assess the potential risks that the Council may be exposed to when making investment decisions.

Timetable of Next Steps

Please include a list of key actions and the scheduled dates for these:

Action	Key milestone	Due date (provisional)	Responsible
Arrange Training for new and existing members / officers	For Mid-Year Review and prior to setting strategies for the forthcoming year Report	July 2023 & January 2024	Chief Finance Officer

Wards Affected

None

Policy Implications

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues & Climate Change	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	Yes
Local People's Views	No
Anti-Poverty	No
Legal	No

Additional Information

Documents Attached:

(i)Treasury Management Strategy (including Investment Policy)

Includes the following Appendices:-

1. MRP Introduction and Policy Statement
2. Interest Rate Forecasts
3. Economic Review
4. Prudential and Treasury Indicators
5. Specified and non-Specified Investments
6. Approved Countries for Investments
7. Treasury Management Policy Statement
8. Purpose and Requirements of the Code
9. Treasury Management Scheme of Delegation
10. The Treasury Management Role of the Section 151 Officer

(ii) Capital Strategy

Other Supporting Documents:-

CIPFA - Treasury Management Code of Practice (2021)
CIPFA - The Prudential Code (2021)
Budget Report - Cabinet 6 February 2023

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Treasury Management Strategy (TMS) for 2023/24

1. The Local Government Act 2003 (the Act) and supporting regulations require the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

2. The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy; this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. There is also the requirement to produce a Capital Strategy – also for determination by full Council.

3. The Treasury Management strategy covers two main areas:

(i) Capital issues

- the capital plans (in summarised form) and the prudential indicators;
- the Minimum Revenue Provision (MRP) policy.

(ii) Treasury management issues

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

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

5. The strategy for 2023/24 in respect of the following aspects of the treasury management function is based upon the Council officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor, Link Group.

Revisions to the Prudential Code and Treasury Management Code

6. CIPFA published the revised Codes on 20th December 2021 and has stated that revisions need to be included in the reporting framework from the 2023/24 financial year. The Council, therefore, 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.

7. The revised Treasury Management Code requires all investments and investment income to 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 an authority'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.

8. The revised Treasury Management Code will requires an authority to implement the following: -

   1. **Adopt a new liability benchmark treasury indicator** to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained;

   2. **Long-term treasury investments**, (including pooled funds), are to be classed as commercial investments unless justified by a cash flow business case;

   3. **Pooled funds** are to be included in the indicator for principal sums maturing in years beyond the initial budget year;

   4. Amendment to the **knowledge and skills register** for officers and members involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each authority;

   5. **Reporting to members is to be done quarterly.** Specifically, the Chief Finance Officer (CFO) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The CFO is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to full Council and should be reported as part of the authority's integrated revenue, capital and balance sheet monitoring;

   6. **Environmental, social and governance (ESG)** issues to be addressed within an authority's treasury management policies and practices (TMP1).

9. The main requirements of the Prudential Code relating to service and commercial investments are: -

   1. The risks associated with service and commercial investments should be proportionate to their financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services;

   2. An authority must not borrow to invest for the primary purpose of commercial return;

3. It is not prudent for local authorities to make any investment or spending decision that will increase the CFR, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority, and where any commercial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose;

4. An annual review should be conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;

5. A prudential indicator is required for the net income from commercial and service investments as a proportion of the net revenue stream;

6. Create new Investment Management Practices to manage risks associated with non-treasury investments, (similar to the current Treasury Management Practices).

10. An authority's Capital Strategy or Annual Investment Strategy should include: -

1. The authority's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;

2. An assessment of affordability, prudence and proportionality in respect of the authority's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services);

3. Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;

4. Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);

5. Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the authority's overall strategy);

6. State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return;

11. As this Treasury Management Strategy Statement and Annual Investment Strategy deals solely with treasury management investments, the categories of service delivery and commercial investments should be addressed as part of the Capital Strategy report.

Background

12. 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.

13. 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 it can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.

14. The contribution the treasury management function makes to the Council 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.

15. CIPFA defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, including 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."

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

Reporting Requirements

Capital Strategy

17. The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report which will 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;
- The implications for future financial sustainability.

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

Treasury Management Reporting

19. The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

   a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and 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 Annual Investment Strategy, (the parameters on how investments are to be managed)

b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition the Council will report performance against all forward-looking prudential indicators quarterly as part of the quartetly budget monitoring process.

c. **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

20. The above reports are required to be adequately scrutinised before being recommended to the full Council. This role is undertaken by the Audit Committee.

21. Quarterly reports – In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) is also required. However, these additional reports do not have to be reported to full Council but do require to be adequately scrutinised. This role is undertaken by the Overview & Scrutiny Committee.

Key Notes to the Strategy

22. The key notes and changes from the previous year's strategy are:

1. The Council has not taken on any additional external borrowing in the last 12 months. The level of capital expenditure has been lower than forecast as a result of slippage in the capital programme and borrowing has remained well within the operational and authorised boundaries.

   The Capital expenditure plans of the Council are expected to involve more borrowing again in 2023/24 and the years ahead. The borrowing limits proposed in the strategy have been increased to allow for the additional capital expenditure expected. If the business plans for the Town Deal projects involve additional borrowing by the council these limits will need to be reviewed and increased further.

2. The majority of the new borrowing in future years will be for Capital purposes, but there will inevitably continue to be a smaller requirement for loans that are revenue in nature – to cover potential short term cash deficits. Such monies cannot be borrowed from the Public Works Loan Board, and will be financed from the market or where there are revenue loans made e.g. to the housing company then from existing Council reserves.

3. The Council is required to make a Minimum Revenue Provision in respect of its borrowing – to ensure debt is repaid over an appropriate period. Where the Council is making significant investments in property, housing or other programmes the Council's MRP policy enables the Council to match the principal repayments made on loans arranged with a near equal MRP payment (an annuity methodology).

4. Investment returns are increasing as the bank base rate is increasing rapidly. The investing enviroment ramins uncertain. The overall cash returns are expected to decrease as the Council's reserves decline.

5. The Council invested some £5m of its reserves in longer period investments e.g. Property Fund, Diversified Investment fund. There are no proposals to invest more

monies for potentially longer periods given the further potential calls on reserves. The monies in these funds can still be obtained quickly should the need arise.

Balanced Budget

23. It is a statutory requirement under the Local Government Finance Act 1992, for the Council to calculate its Council Tax requirement. In particular, Section 31 requires a local authority in calculating the Council Tax requirement for each financial year to include the revenue costs that flow from capital financing decisions. Thus, any increases in costs (running costs & borrowing costs) from new capital projects must be limited to a level which is affordable within the projected income of the Council for the foreseeable future.

Environmental, Social & Governance (ESG) Considerations

24. This topic is becoming a more commonplace discussion within the wider investment community, including Local Authorities. While around two thirds of councils have declared a “climate emergency” to date, this has not translated into the incorporation of something more formal within their treasury-related Annual Investment Strategy. Changes to the CIPFA TM Code 2021 will see ESG incorporated into Treasury Management Practice 1. The following wording (page 18 of the Treasury Management Code) suggests the scope of what is included: “The organisation's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the organisation’s ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level.”

25. Furthermore, page 50 of the Treasury Management Code states “ESG issues are increasingly significant for investors and investment managers. This is better developed in equity and bond markets than for short-term cash deposits, and there is a diversity of market approaches to ESG classification and analysis. This means that a consistent and developed approach to ESG for public service organisations is currently difficult. Organisations are therefore recommended to consider their credit and counterparty policies in light of ESG information and develop their own ESG investment policies and treasury management practices consistent with their organisation’s own relevant policies, such as environmental and climate change policies.”

26. The most important issue is ensuring that there is a clear understanding of what “environmental, social and governance (ESG)” investment considerations means. It is about understanding the ESG “risks” that an entity is exposed to and evaluating how well it manages these risks, (all entities will be subject to these to one extent or other). It is NOT the same as Socially Responsible Investing, (typically where you apply negative screens), and equally, it is NOT the same as Sustainable Investing, (investing in products / companies based on expected sustainable and beneficial societal impact, alongside a financial return).

27. There is such a huge potential for misunderstanding which could have material unintended consequence i.e., limiting of potential counterparty options, thus decreasing diversification. The above could then lead to authorities widening credit criteria to take on more names, or those with a stronger “ESG” performance, which could then increase credit risk…which would place the cornerstone of prudent investing at risk.

28. The other factor, i.e., what local authorities can or already do to take this into account, is credit ratings. All the main agencies are now extoling how they incorporate ESG risks alongside more traditional financial risk metrics when assessing counterparty ratings. As such, you could argue that their incorporation is already being done, to an extent, by the use of mainstream rating agencies.

29. Also, a final note to point out is that given ESG risks are all about potential impact on entity enterprise value; the “G” is by far the most important one when considering treasury investments, the majority of which will be shorter-term in nature. This is because poor governance can have a more immediate impact on the financial circumstances of an entity and the potential for a default event that would impact the amount the local authorities receive back from their investments. Those financial institutions that are viewed as having poor/weak corporate governance are generally less well rated in the first instance or have a higher propensity for being subject to negative rating action. So, this element of ESG is of high importance to an investor that is following investment guidance with the security, liquidity and yield (SLY) principle at its core. Environmental & Social factors are also important, but more for the long-term impact, unless you are specifically going down the “impact” / “sustainable” type investment route…and there are not many options for that in respect of short-term investments.

PRUDENTIAL AND TREASURY LIMITS FOR 2023/24 TO 2025/26

The Council’s Capital Position (Prudential Indicators)

30. 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.

31. The prudential code requires the local authority to identify prudential indicators that enable members, officers and the public to make a meaningful judgement on the Council’s total exposure from borrowing and investment decisions. The indicators are required to cover both the Council’s current position and the expected position assuming all planned investments in the forthcoming years are completed.

32. This part of the report is structured to update:

- The Council’s capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Reviewing the limits in place for borrowing activity.

Prudential Indicator for Capital Expenditure

33. This prudential indicator is a summary of the Council’s capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The table summarises how the capital expenditure plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

	Actual 2021/22 £'000s	Budget 2022/23 £'000s	Forcast 2022/23 £'000s	Budget 2023/24 £'000s	Budget 2024/25 £'000s	Budget 2025/26 £'000s
Capital Expenditure	**4,614**	**21,746**	**16,879**	**31,322**	**15,324**	**2,591**
Financed by:						
Capital receipts	60	5,500	5,500	50	50	50
Capital grants	3,192	6,930	9,693	5,533	3,803	2,056
Reserves	407	0	0	0	0	0
Revenue	0	0	0	0	0	0
Borrowing	**955**	**9,316**	**1,686**	**25,739**	**11,471**	**485**

Capital Expenditure – Financing

34. The table above summarises the capital expenditure plans and how these plans are being financed – either by own resources e.g. Section 106, Capital receipts or through borrowing. New Capital schemes will generally be financed by borrowing, unless Capital receipts from the sale of assets are available. If capital receipts can be generated from asset sales the amount of borrowing shown above may decrease.

35. The schemes in the capital programme which are expected to require financing (at least in part) from borrowing in 2023/24 are:

- Cornwallis Street Development (£8.4m)
- Housing Acquisition Programme 50 units of Temporary Accomodation (£5.9m)
- Mayfield E – Housing (£4.5m)
- Bexhill Road South (£2.5m)
- Energy – Unallocated (£2.3m)
- Cliff Railways (£1m)
- Annual programme of roof refurbishment (£700k)
- Grounds Maintenance Equipment (£626k)
- Energy – Solar Panels (£500k)
- Priory Meadow Contribution to Capital Works (£288k)
- Restoration of Pelham Crescent / Pelham Arcade (£350k)
- Conversion of 12-13 York Buildings (£74k)
- Groyne Refurbishment (£35k)

Impact on the prudential indicators

36. The treasury indicators for borrowing activity are the **Authorised Limit** and the **Operational Boundary** for external debt.

The **Authorised Limit**, which is a limit beyond which external debt is prohibited, needs to be set or revised by the full Council; it is a statutory duty under Section 3 (1) of the Local Government Act 2003 and supporting regulations. It reflects the level of borrowing which, while not desired, could be afforded in the short term. It is the expected maximum borrowing need with some headroom for unexpected movements.

Authorised Limit	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
Debt	110,000	110,000	135,000	135,000	135,000
Other long term liabilities	5,000	5,000	5,000	5,000	5,000
TOTAL	115,000	115,000	140,000	140,000	140,000

The **Operational Boundary** is the limit beyond which external debt is not normally expected to exceed.

Operational Boundary	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
Debt	105,000	105,000	130,000	130,000	130,000
Other long term liabilities	5,000	5,000	5,000	5,000	5,000
TOTAL	110,000	110,000	135,000	135,000	135,000

37. Essentially the Council is required to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future Council Tax levels is 'acceptable'.

38. Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion in the Capital programme incorporate financing by both external borrowing as well as other forms of liability e.g. Credit arrangements (such as leases).

39. The Authorised Limit and Operational Boundary are to be set, on a rolling basis, for the forthcoming financial year and two successive financial years by full Council as part of this strategy.

40. 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.

41. Given the current level of capital expenditure plans for the years ahead it is recommened that the limits are each increased by £25m to allow sufficient headroom for our capital aspirations.

PROSPECTS FOR INTEREST RATES

42. The Council has appointed Link Group, Link Treasury Services Limited as its external treasury management advisor. Part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 19/12/2022. These are forecasts for certainty rates, gilt yields plus 80 bps.The table below provides an overview (please also see Appendix 2).

Link Group Interest Rate View	19.12.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

43. Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

44. The central forecast reflects a view that the MPC will be keen to demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened throughout 2022, but the new Government’s policy of emphasising fiscal rectitude will probably mean Bank Rate does not now need to increase to further than 4.5%.

45. Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures have lessened – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

46. The CPI measure of inflation will peak at close to 11% in Q4 2022. Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market. Wage increases, excluding bonuses, are currently running at 5.7%.

47. Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started but will focus on the short to medium end of the curve for the present. This approach will prevent any further disruption to the longer end of the curve following on from the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy.

48. In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.

49. On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

50. An economic review from the Council’s treasury advisors is included in Appendix 3. Such forecasts are being kept under regular review.

Public Works Loan Board (PWLB) Rates

51. Yield curve movements have become less volatile under the Sunak/Hunt government. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 3.75% to 4.50%. The medium to longer part of the yield curve is currently inverted (yields are lower at the longer end of the yield curve compared to the short to medium end).

52. Link Group view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the poor inflation outlook but markets are volatile and further whipsawing of gilt yields across the whole spectrum of the curve is possible.

The balance of risks to the UK economy:

53. The overall balance of risks to economic growth in the UK is to the downside. Indeed, the Bank of England projected two years of negative growth in their November Quarterly Monetary Policy Report.

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

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

- The Bank of England acts too quickly, or too far, over the next two years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

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

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

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

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates an even more rapid series of increases in Bank Rate faster than we currently expect.

- The Government acts too slowly to increase taxes and/or cut expenditure to balance the public finances, in the light of the cost-of-living squeeze.

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

- Longer term US treasury yields rise strongly, if inflation numbers disappoint on the upside, and pull gilt yields up higher than currently forecast.

54. **Borrowing advice from Link Group:** Our long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are now above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

55. Link Group's suggested budgeted earnings rates for investments up to about three months' duration in each financial year are as follows: -

Average earnings in each year	
2022/23 (remainder)	3.95%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

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

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

BORROWING STRATEGY

58. The capital expenditure plans set out in the budget provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities.

Current Portfolio Position

59. The Council's forecast debt position for 31 March 2023, if no further borrowing is taken for the rest of the financial year, as at 12 January 2023, amounted to £65.4m (See Table 1 below).

Table 1 - Borrowing

Debt	1 April 2022 Principal	Start Date	Maturity Date	31 March 2023 Principal	Rate
PWLB	£7,500,000	25/05/2007	01/02/2033	£7,500,000	4.80%
PWLB	£909,027	04/09/2014	02/09/2044	£909,027	3.78%
PWLB (Optivo)	£1,788,235	04/09/2014	02/09/2044	£1,788,235	3.78%
PWLB (FT) (Annuity)	£125,981	21/03/2016	20/03/2026	£95,262	1.66%
PWLB	£1,000,000	11/05/2016	11/05/2056	£1,000,000	2.92%
PWLB	£1,000,000	11/05/2016	11/05/2046	£1,000,000	3.08%
PWLB	£1,000,000	11/05/2016	11/05/2036	£1,000,000	3.01%
PWLB	£1,000,000	11/05/2016	11/05/2026	£1,000,000	2.30%
PWLB	£2,000,000	24/06/2016	24/06/2054	£2,000,000	2.80%
PWLB	£1,000,000	24/06/2016	24/06/2028	£1,000,000	2.42%
PWLB	£2,000,000	21/03/2017	21/03/2057	£2,000,000	2.53%
PWLB	£2,000,000	21/03/2017	19/09/2059	£2,000,000	2.50%
PWLB	£2,000,000	23/03/2017	23/03/2060	£2,000,000	2.48%
PWLB (Annuity)	£6,772,356	01/06/2017	01/06/2057	£6,652,722	2.53%
PWLB (Annuity)	£7,860,481	22/11/2017	22/11/2057	£7,729,610	2.72%
PWLB	£2,000,000	12/12/2018	12/06/2028	£2,000,000	1.98%
PWLB (Annuity)	£3,820,026	13/12/2018	13/12/2058	£3,756,930	2.55%
PWLB (Annuity)	£2,387,758	31/01/2019	31/01/2059	£2,348,400	2.56%
PWLB (Annuity)	£4,273,795	31/01/2019	31/01/2069	£4,226,034	2.56%
PWLB (Annuity)	£8,976,150	20/03/2019	20/03/2059	£8,827,583	2.54%
PWLB (Annuity)	£4,649,533	02/09/2019	02/09/2069	£4,587,401	1.83%
PWLB	£2,000,000	13/01/2022	13/01/2062	£2,000,000	1.89%
Total Debt	**£66,063,342**			**£65,421,204**	**2.81%**

60. The Council has loaned money to four other organisations. Six longer-term loans are outstanding. Namely:

Table 2 - Loans to Other Organisations

3rd Party Organisations	Rate/ Return (%)	Start Date	End Date	Principal Outstanding as at 31/03/2023 £	Type
Amicus /Optivo	3.78%	04/09/2014	02/09/2044	£1,788,235	Maturity
The Foreshore Trust	1.66%	21/03/2016	20/03/2026	£95,262	Annuity
The Source	2.43%	17/12/2015	17/12/2025	£8,144	Annuity
			Sub-Total	**£1,891,641**	
Hastings Housing Company					
Hastings Housing Company - Loan 1	4.48%	28/02/2018	28/02/2058	£784,676	Maturity
Hastings Housing Company - Loan 2	4.84%	12/02/2019	12/02/2059	£344,810	Maturity
Hastings Housing Company - Loan 3	4.84%	13/06/2019	13/06/2059	£4,359,912	Maturity
			Sub-Total	**£5,489,398**	
			Total	**£7,381,039**	

61. Borrowing from the PWLB was taken to fund the Amicus Horizon (now Optivo) loan (£1,788,235 - maturity loan) and the loan to the Foreshore Trust (£300,000 originally

borrowed – annuity loan); these correspond to PWLB loans in Table 1 above. The £25,000 loan to the Source is repayable over a 10 year period and is financed from HBC reserves.

62. Borrowing from the PWLB was taken to fund the loans to Hastings Housing Company Ltd (HHC). The three loans, totalling £5,489,398, are maturity loans and will be due for repayment by HHC at the end of their term.

Borrowing Limit – Capital Financing Requirement (CFR)

63. The second prudential indicator is the Authority's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure which has not been funded from grants, revenue, reserves or capital receipts will increase the CFR.

64. The Council has at the time of writing some £65.4m of PWLB debt. To borrow for the remainder of the 2022/23 capital programme i.e. up to the projected level of the CFR (£78.2m) it would need to borrow a further £12.8m by the end of March 2023. The Capital Financing Requirement has increased significantly over the last few years. It is expected to reach some £110.3m by 2024/25 (based on the capital programme).

65. As a key indicator the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the Capital Financing Requirement (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.

66. The Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

67. The total CFR can also be reduced by:

(i) the application of additional capital financing resources (such as unapplied capital receipts); or

(ii) charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

68. The Council had achieved a near fully funded position at the start of 2020/21 which put the Council in a good position when the pandemic hit. This means that the capital borrowing need (the Capital Financing Requirement), has been fully funded with loan debt. This strategy had been considered prudent as borrowing costs had been increasing. However, there is a cost of doing this as investment returns are

low compared to borrowing costs and counterparty risk is still an issue that needs to be considered.

69. However during 2020/21 and much of 2021/22, interest rates looked set to remain low for a period of time and thus there was a stronger case to not borrow externally until we really had to i.e. temporarily use existing resources. This was the strategy that was proposed for 2021/22 (as far as practical) and has saved on borrowing costs and assisted the Council's revenue account. There is however only a limited ability to do this given the depletion of Council reserves, and funds already invested for longer periods.

70. For 2021/22 the Council started the year with internal borrowing of £7.994m - cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure to fund the Capital expenditure. With interest rates now increasing and forecast to increase further over the coming years, the Council will need to externalise some of this internal borrowing. This process has already begun with the Council taking a new £2m, 40 year maturity loan from the PWLB on 13th January 2022. The rapid rate of the rise of interest rated during 2022 has caught the Council somewhat off guard with the potential cost of borrowing now jepodising some capital schemes.

71. To finance the future Capital programme will require substantial new borrowing by the Council. The key considerations are when to borrow and the level of internal borrowing. The Chief Finaince Officer will make these dicisions in conjunction with advice and guidance from our treasury advisors. Current guidance suggest that interest rates will peak in December 2023 so the strategy will be looking at untalising internal borrowing as much as possible to see us through untill the expected lower rate environment. Where borrowing is required the option of borrowing short-term will be considered rather than locking into to higher rates for a prolonged period. Some longer term borrowing will be required and will be encouraged where affordable as it reduced the risk of future adverse movements in interest rates.

The table below provides an estimate of the Council's Capital Financing Requirement (CFR) for the current and next 3 years.

Table 3 - Capital Financing Requirement (CFR)

CFR	2021/22 (unaudited) £'000s	2022/23 (Estimate) £'000s	2023/24 (Estimate) £'000s	2024/25 (Estimate) £'000s	2025/26 (Estimate) £'000s
CFR-Opening	72,683	71,970	72,737	97,512	107,816
Less MRP	(1,668)	(919)	(964)	(1,168)	(1,287)
Plus New Borrowing	955	1,686	25,739	11,471	485
CFR Closing	**71,970**	**72,737**	**97,512**	**107,816**	**107,014**

72. The table below highlights the Council's projected gross borrowing position against the CFR (showing the level that is financed from internal borrowing).

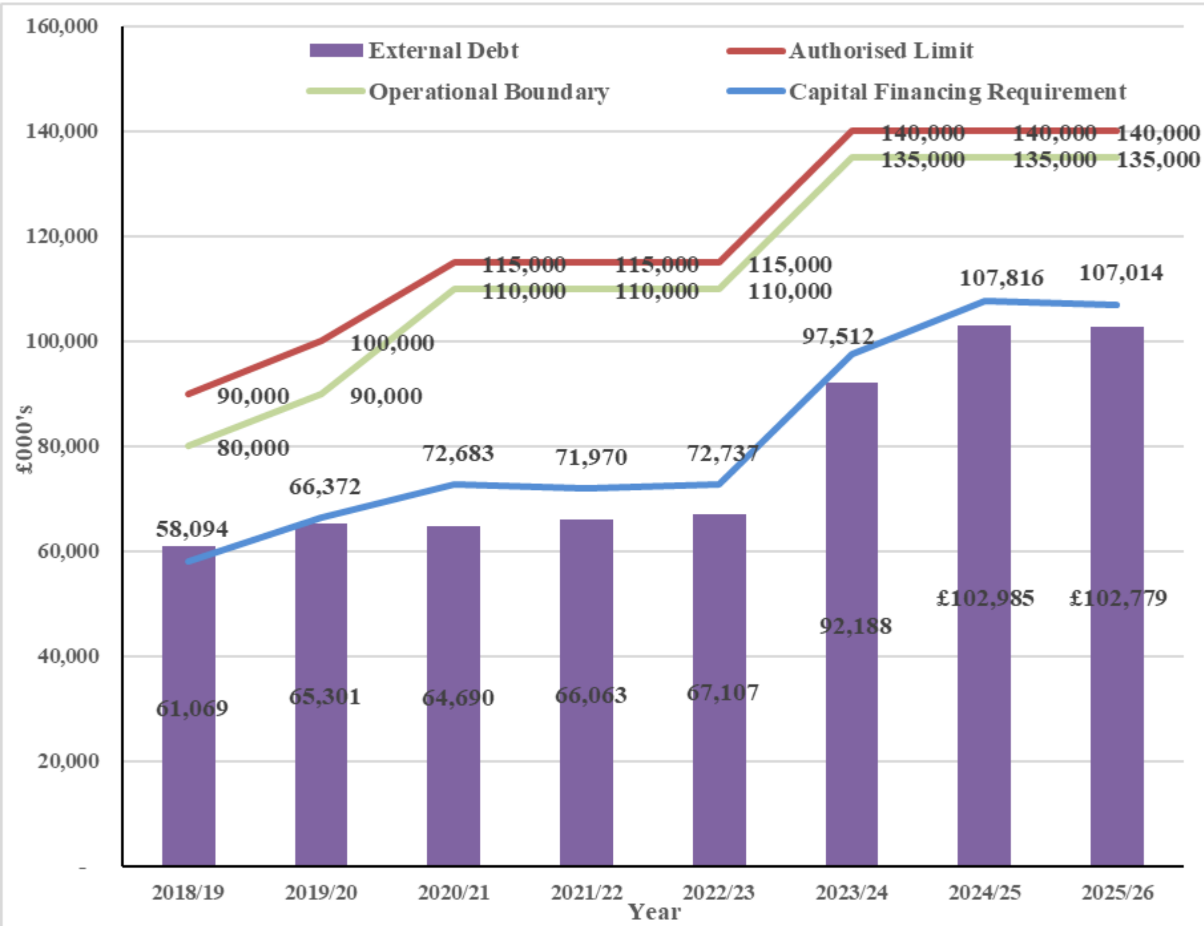
Table 4 - Council's Projected Gross Borrowing Position Against the CFR

Internal Borrowing	2020/21 Actual £000's	2021/22 Actual £000's	2022/23 Estimate £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's
Capital Financing Requirement (CFR)	72,683	71,970	72,737	97,512	107,816	107,014
External Borrowing	64,690	66,063	67,107	92,188	102,985	107,014
Net Internal Borrowing	**7,994**	**5,907**	**5,630**	**5,324**	**4,831**	**0**

73. The Council is now (20 January 2023) maintaining an under-borrowed position.

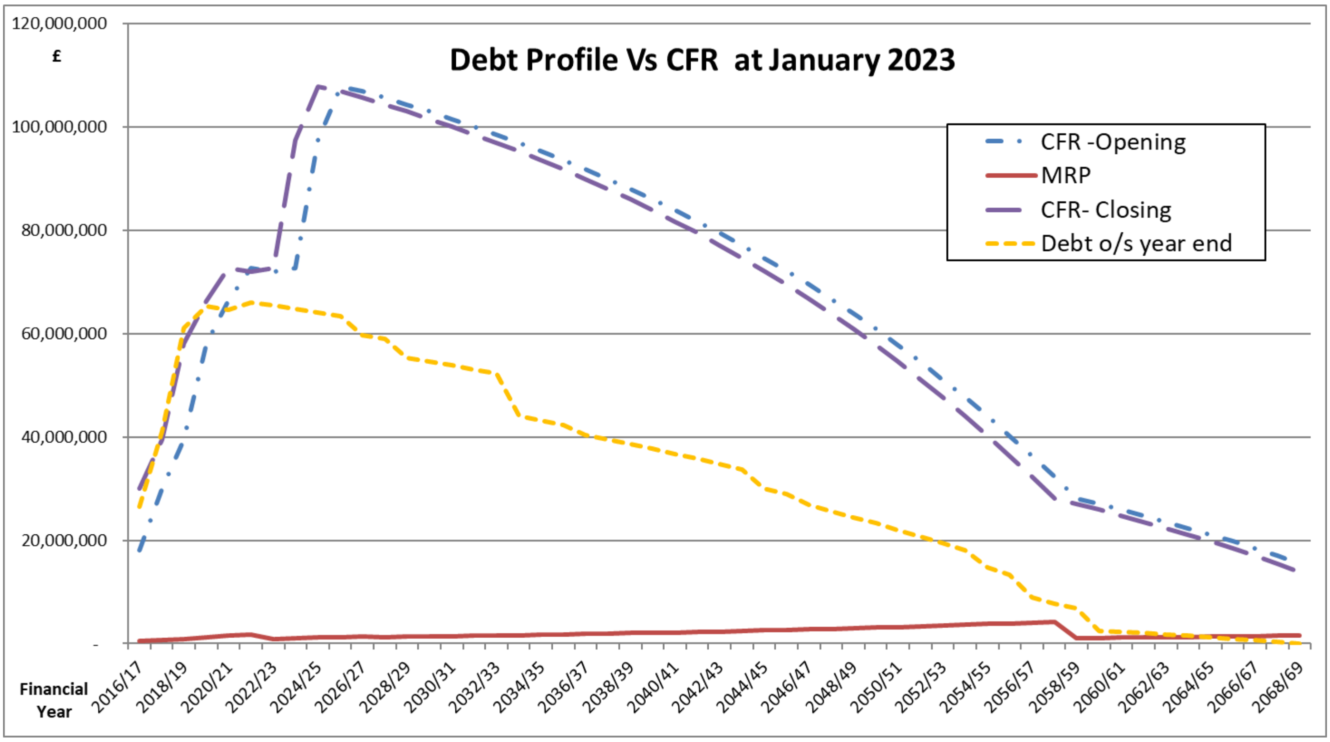
Borrowing activity is constrained by prudential indicators particularly the CFR, and by the authorised limit. The Council's long term borrowing must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure.

Table 5 - External Debt, Authorised Limits and CFR Projections



Debt Profile and CFR

74. The graph below shows how the CFR (blue and purple lines) reduce over time as MRP payments are made. The yellow line shows the level of external debts reducing as principal repayments are made (see debt maturity graph below).



75. The graph above is based on the current known capital programme up to 2025/26. If further capital expenditure is finance by borrowing, which is highly likely, then this will push the trajectory of the graph out into further years and increase future MRP payment.

Liability Benchmark

76. A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum, however CIPFA strongly recommends that the LB is produced for at least 10 years and should ideally cover the full debt maturity profile of the local acthority.

77. There are four components to the LB:

1. **Existing loan debt outstanding**: the Authority's existing loans that are still outstanding in future years.

2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.

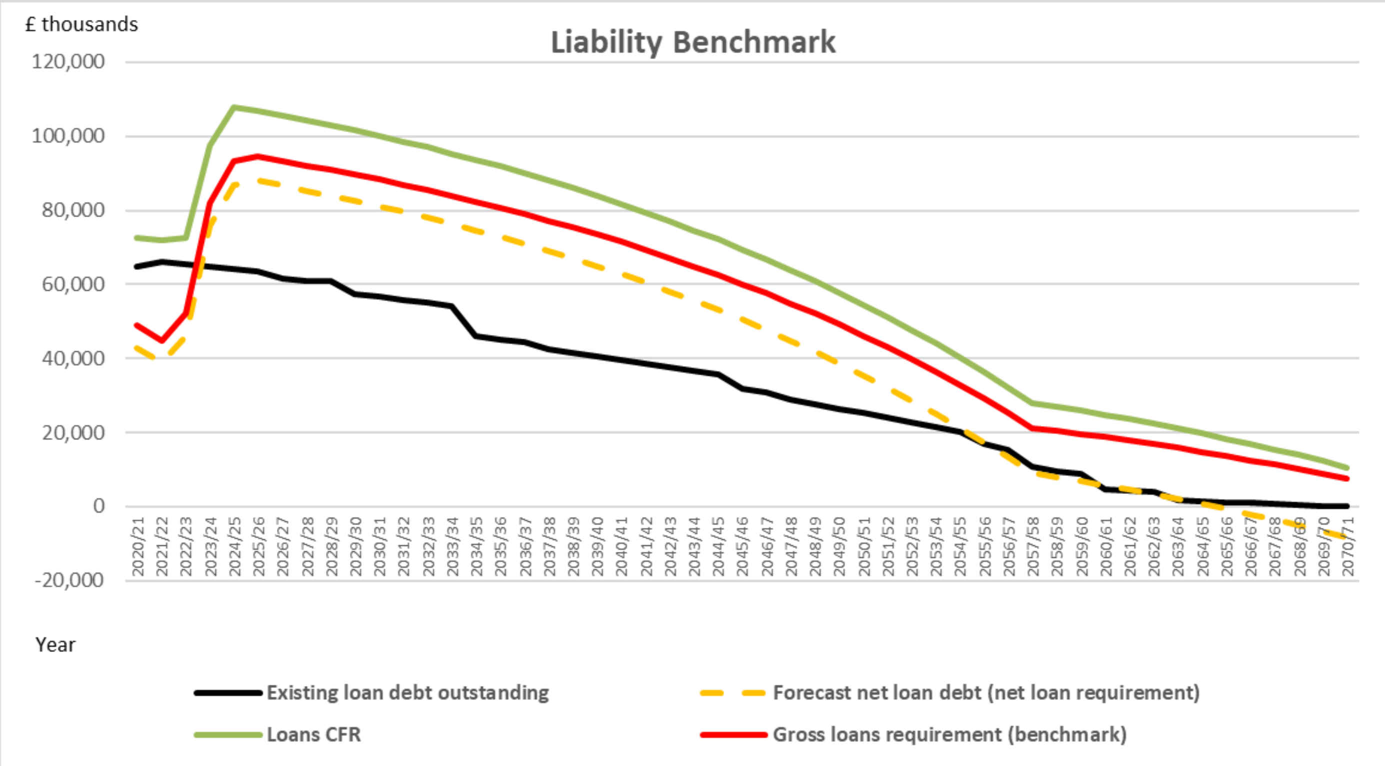
3. **Net loans requirement**: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.

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

78. CIPFA notes on page 13 of the 2021 TM Code: "The liability benchmark should be analysed as part of the annual treasury management strategy, and any substantial

mismatches between actual loan debt outstanding and the liability benchmark should be explained. Any years where actual loans are less than the benchmark indicate a future borrowing requirement; any years where actual loans outstanding exceed the benchmark represent an overborrowed position, which will result in excess cash requiring investment (unless any currently unknown future borrowing plans increase the benchmark loan debt requirement). The treasury strategy should explain how the treasury risks inherent in these mismatched positions will be managed.”

79. The Liability Benchmark for the Council is shown in the chart below.



80. Some analysis on the lines on the chart above is provided below:

- Existing Loan Debt Outstanding (black line) – The line shows the external loans that the Council has with the PWLB and how the value decreases over time as the principal is repaid.

- Loans CFR (green line) – This line shows the Capital Fiinancing Requirement for the Council. The line decreases as annual MRP payments are made.

- Net Loan Debt (yellow dotted line) – This line shows the Council’s debt (CFR) less the value of any external investments it has made i.e. the net debt. You can see that in 2065/66 the line goes below zero and becomes negative. This is because the value of external investments the council is forcasitng to be holding is greater that the level of debt that the council has.

- Groass loans requirement (red line) – this line very closely mirrors the Net Loan Debt (yellow dotted) line. It essentially shows the same thing but with an added liquidity allowance – essentially a working balance for the councils treasuty activities. This level has been set at £6m to match the councils minimum recommended level of reserves (but in the chart has been inflated by 2% annually so that it maintains it’s value in real terms).

81. It should be noted that the Libality Benchmark is only a snapshot in time and as capital expendite plans evolve further borrowing is likely to be incurred which will increase the CFR and push the point at which the lines move towards zero further out into future years.

Borrowing – Overall Limits

82. In determining what is a prudent level of borrowing, the Council needs to ensure that it would still be able to provide core services if its investments or income generating initiatives failed – at least in part. As a guide each £1m of new borrowing, financing an asset with a life of 50 years would currently cost the Council some 5.5% p.a. (based on a annuity loan with a 5% interest rate) i.e. £55,000 p.a.

83. In taking on significant levels of additional debt the Council has to ensure that it can afford to do so. It also needs to ensure that it has an affordable exit strategy in the event that expected returns are not realised. Where property is concerned there is normally an asset to dispose of and such schemes are not therefore at the higher end of the risk spectrum. It is considered that the Council currently has sufficient reserves to ensure that it could dispose of assets in a reasonable period and not be forced into an immediate fire sale. In the event that property values fell by say 20% the Council would not be forced to sell assets providing the rental streams were secure.

Borrowing – Certainty Rate

84. The Council again registered for the PWLB certainty rate earlier in the year which has given a 20 basis point reduction in the average rate of borrowing. The Council will look to do so again annually – for as long as it remains available.

Borrowing – Change of Sentiment

85. In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios noted below. The Chief Finance Officer, in conjunction with the treasury advisors, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of sentiment:

a. if it were felt that there was a significant risk of a sharp FALL in long and short term rates, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

b. if it were felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still relatively cheap.

Borrowing – Timing

86. The general aim of this treasury management strategy is to minimise the costs of borrowing in both the short and longer term. In the short term it can consider avoiding new borrowing and using cash balances to finance new borrowing (internal borrowing). However, to minimise longer term costs it needs to borrow when rates are at lower levels. The timing of new borrowing is therefore important to minimise the overall costs to the Council.

87. The Council has previously sought to achieve near full financing of the Capital programme via external debt over recent years in order to take advantage of the historically low borrowing rates and avoid the risk of having to lock into high interest rates when it has no option but to borrow. For the last year a higher level of internal borrowing was adopted to temporarily finance long life assets. Currently, with interest rates looking likely to increase further the Council is considering externalising some of the internal debt to lock in rates at lower levels.

88. Given that the Council is increasingly using its reserves these need to be readily available and not subjected to unnecessary risk or exposure.

Summary

89. No new external borrowing has been taken over the last 12 months but instead the council has been utalising internal borrowing to minimise interest costs.

90. The capital expenditure plans require further substantial new borrowing by the Council. The plans play a large part in the consideration as to when to borrow and the level of internal borrowing. The Council has taken advantage of other investment opportunities which have been providing higher returns than the cost of borrowing e.g. property funds. To date the Council has increased the level of internal funding in order to save on interest payments as the cost of these exceeds returns that can be achieved by investing surplus funds in the short term.

91. For the last few years the cheapest borrowing has been internal borrowing by running down cash balances and foregoing interest earned at historically low rates. However, the Council may not have sufficient balances to temporarily finance all the capital expenditure in 2022/23 and may need to borrow before March 2023. In view of the overall forecast for long term borrowing rates to increase in the medium term, consideration has been given to weighing the short term advantage of internal borrowing against the potential increase in long term costs as rates rise. As such additional new borrowing will continue to be taken when good opportunities arise in the interest of minimising the costs of debt over the long term.

92. The use of PWLB variable rate loans for up to 10 years will still be considered as they can be repaid early without early redemption premiums. They can also be converted into longer dated fixed rate debt should it be considered prudent to do so.

93. The use of fixed rate market loans will also be considered should rates be below PWLB rates for the equivalent maturity period. The use of either PWLB maturity or annuity loans will be considered in order to minimise annual borrowing costs.

Policy on borrowing in advance of need

94. 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 considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

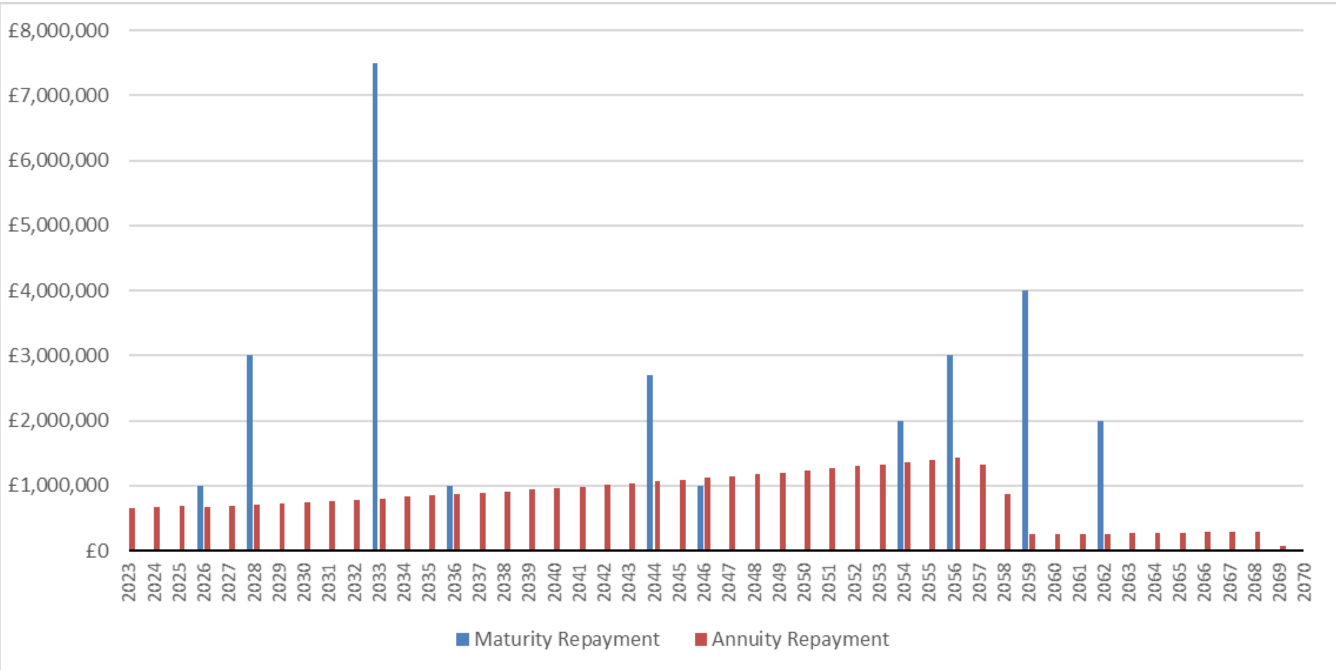
95. In determining whether borrowing will be undertaken in advance the Council will:

   a. ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance.
   b. ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered.
   c. evaluate the economic and market factors that might influence the manner and timing of any decision to borrow.
   d. consider the merits and demerits of alternative forms of funding.
   e. consider the appropriate funding period.
   f. consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and the level of such risks given the controls in place to minimise them.

96. 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.

Debt Maturity

97. The Graph below shows the profile of when debt (loans from the PWLB) become repayable. Blue lines indicate maturity loans and red lines indicate annuity loans.



98. The Council will need to carefully consider the structure and timing of any new borrowing to ensure debt does not exceed the CFR in the years ahead.

Debt Rescheduling

99. The Council also keeps under review the potential for making premature debt repayments in order to reduce borrowing costs as well as reducing counterparty risk by reducing investment balances. However, the cost of the early repayment premiums that would be incurred and the increase in risk exposure to significantly higher interest rates for new borrowing, continue to make this option unattractive. No debt rescheduling is being contemplated at present.

100. The reasons for any rescheduling to take place will include:

   a. the generation of cash savings and / or discounted cash flow savings,

   b. helping to fulfil the strategy outlined above

   c. enhancing the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

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

Other Source of Borrowing

102. Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – generally still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).
- UK Municipal Bonds Agency and UK Infrastructure Bank

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

Minimum Revenue Provision (MRP)

104. Appendix 1 of this report provides the detail on what the MRP is and the basis of the calculation. Basically, authorities are required each year to set aside some of their revenues as provision for debt repayment. Unlike depreciation which is reversed out of the accounts, this provision has a direct impact on the Council Tax requirement. The provision is in respect of capital expenditure that is financed by borrowing or credit arrangements e.g. leases.

105. The Council is required to make a “Prudent Provision” which basically ensures that revenue monies are set aside to repay the debt over the useful life of the asset

acquired i.e. the Minimum Revenue Provision (MRP). This can be achieved by equal annual instalments (current practice) or an annuity method – annual payments gradually increasing over the life of the asset. Where an annuity loan is taken, the Council's policy (Appendix 1) was amended to reflect the matching, as far as possible, of the MRP with the actual principal repaid (within each debt repayment).

106. The MRP for 2023/24 is estimated at £995,000 (the statutory charge to revenue that remains within the accounts).

107. The Government are consulting on amendinig MRP regulations/guidance for England. One of the revisions likely is to make it clear to all authorities that where loans have been made for capital purposes to other organisations e.g local authority companies, housing providers, then provision for debt repayments must be made. Hastings BC has always done so and is not caught out by this sensible requirement. The latest information we have is that any changes to the guidance will take effect from 2024/25 at the earliest.

ANNUAL INVESTMENT STRATEGY

Investment Policy

108. The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.

109. The Council's investment policy has regard to the DLUHC's Guidance on Local Government Investments ("the Guidance"), the CIPFA Treasury Management in the Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code") and the CIPFA Treasurym Management Guidance Notes 2021.

110. The Council's investment priorities will be security first, portfolio liquidity second, and then yield (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite.

111. In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider "laddering" investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

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

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

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

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

d. This Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in Appendix 5 under the categories of 'specified' and 'non-specified' investments.

   Specified investments are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally, they were classified as being non-specified investments solely due to the maturity period exceeding one year.

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

e. **Lending limits**, (amounts and maturity), for each counterparty as set out in the creditworthiness policy below.

f. **Transaction limits** are set for each type of investment.

g. Investments will only be placed with counterparties from countries with a specified **minimum sovereign rating**.

h. This Council has engaged **external consultants** (Link Group), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of the council in the context of the expected level of cash balances and need for liquidity throughout the year.

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

j. Consideration wil be given to organisations Environmental, Social & Governance (ESG) credentials, although no scoring will be applied.

k. As a result of the change in accounting standards for 2022/23 under IFRS 9, the Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31/03/2023. In December 2022 a further extension to the over-ride was agreed by Government until 31/03/2025.

113. However, the Council will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

114. There are no changes in our risk management policy and the above criteria remain unchanged from last year.

115. The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

116. In accordance with guidance from the DLUHC and CIPFA, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency.

Creditworthiness Policy

117. The Council uses the creditworthiness service provided by Link Group. The potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays: -

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

118. This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments and are therefore referred to as durational bands. This is a service which the Council would not be able to replicate using in-house resources.

119. The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within Link Group's weekly credit list of worldwide potential counterparties. The Council will therefore use counterparties within the following durational bands: -

- Purple 2 years (but HBC will only invest for up to 1 year – except Property Fund and Diversified Income Fund)
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No Colour not to be used

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

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

122. This Council will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties as Moody's tend to be more aggressive in giving low ratings than the other two agencies. This would therefore be unworkable and leave the Council with few banks on its approved lending list. The Link creditworthiness service does though, use ratings from all three agencies, but by using a risk based scoring system, does not give undue weighting to just one agency's ratings.

123. The Council is alerted to the changes to credit ratings of all three agencies through its use of the Link creditworthiness service. These are monitored on a daily basis with lists updated weekly by Link Group. If a downgrade results in the counterparty / investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.

124. Sole reliance will not be placed on the use of this external service. In addition, this Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

125. The Council only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 6. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy. The maximum investment in any non UK country is not to exceed £10m.

Investment Strategy

126. The level of investments can fluctuate significantly on a day to day basis, given the level of funding received, precept payments, grants payable and receivable, salaries and wages, etc.

127. As at 1 December 2022 the Council had balances amounting to £35.7m. The monies held are higher than would normally be expected and include monies that the Council is holding in respect of a number of grant schemes.

128. Priority is given to security and liquidity of investments in order to reduce counterparty risk to the maximum possible extent. To this end at the start of the Covid-19 crisis special arrangements were made with the Council's bankers to be able to accommodate larger than normal balances and daily transaction amounts associated with the government's business grant schemes. The Council is now again in the position to ensure that its cash balances are spread across numerous counterparties.

129. The Council has had various investment limits depending upon the credit rating e.g. £5m with any one institution with a minimum short term rating of F+, and a long term rating of A+ or above, supported by a red (6 month) rating by Link Group. The £5m limit generally represents a level of up to 25% of the investment portfolio with any one institution or group at any one time. It is also necessary, at times, to invest sums of this size in order to attract the larger institutions which have the higher credit ratings.

130. The Eurozone and Brexit led to a number of downgrades to banks' credit ratings, making it increasingly difficult at times to spread investments across a number of institutions. The Chief Finance Officer has the authority to amend the limits on a daily basis if necessary, to ensure that monies can be placed with appropriate institutions. The use of Money Market funds is anticipated and the Council is in the process of getting setup on a portal to allow access to a diversified range of money market funds from different providers.

131. The pandemic has impacted on countries around the world and in turn on credit ratings. The Council follows the Credit ratings of Link Group and the ratings now enable the Council to invest £5m with any one institution with a minimum short term rating of F (rather than F+), and a long term rating of A+ and above (Unchanged), supported by a red (6 month) rating.

Investment Strategy – Property Fund

132. It was agreed in February 2017 that the option for diversification of some of the investments into a property fund be undertaken with CCLA in the sum of £2m. The investment being in respect of the Council's reserves that are not required for a period of at least 5 years in order that any fall in values and entry costs into such funds can be covered. The £2m was invested in April 2017 and the performance is detailed below:

Table 6: CCLA – LA's Property Prices and Dividend yields

End of	Sep-22	Jun-22	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18	Apr-17
Offer Price p	371.27	387.73	368.46	313.45	315.7	327.4	322.40	307.19
Net Asset Value p	347.79	363.21	345.17	293.63	295.74	306.7	302.01	287.77
Bid Price p	342.40	357.58	339.82	289.08	291.15	301.95	297.33	283.31
Dividend* on XD Date p	3.26	2.8523	2.7875	2.9797	3.25	3.31	3.21	-
Dividend* - Last 12 Months p	11.78	11.21	11.22	12.63	13.06	13.08	13.70	13.19
Dividend Yield on NAV %	3.39	3.09	3.13	4.3	4.41	4.26	4.54	4.58

133. The dividend yield is currently around 3.4% p.a. on the net asset value. Dividends for the first 2 quarters of 2022/23 amount to £39,811 (£36,178 at the same point last year). Full year dividends for 2022/23 are estimated at around £80,300 and a similar return is anticipated for 2023/24.

Table 7: CCLA - Property Fund Capital Value

Units (651,063)	Sep-22	Jun-22	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18	Apr-17
Mid Market Price(£)	2,264,332	2,364,726	2,247,274	1,911,716	1,925,454	1,996,810	1,966,275	1,873,564
Bid Price (£)	2,229,240	2,328,071	2,212,442	1,882,093	1,895,570	1,965,885	1,935,806	1,844,527

134. The Capital value has increased by 20.86% between April 2017 and September 2022 and is now above that of the original investment made and continues to recover from the low point experienced in August 2020 following the impact of Covid-19. It is important that this is continued to be viewed as a longer term investment (5 years plus).

Diversified Income Fund

135. It was agreed in February 2019 that a sum of £3m would be made available for further diversification of the Council’s investments. £1m was invested on 26 July 2019 and a further £2m investment was made on 24 September 2019 into the CCLA Diversified Income Fund. Anticipated returns were around 3% with the added advantage of much higher liquidity than the property fund.

136. The capital value had recovered from the initial investment where charges are effectively deducted and was valued at £3,012,479 at the end of December 2019. In March 2020 the market value had fallen to £2.62m but continues to recover and was valued at £2,717,180 on 30 September 2022 (9.4% below the initial investment amount). Dividend yield on price was at 2.79% for September 2022 (2.6% September 2021). Dividends payable for the first 2 quarters of 2022/23 amount to £44,402 (£39,614 at the same point last year). It should be remembered that this is a long term investment and prices can go up and down.

Investment Strategy – View on Interest Rates

137. As the Bank of England (BOE) has increased interest rates investment returns have increased in line with the increase in base rate. Investment returns are likely to increase further as additional increases in the base rate are anticipated. The Council at this time needs access to its cash reserves and as such cannot afford to invest further longer term – until it achieves a balanced budget or has capital receipts.

Investment Return Expectations

138. Bank Rate is forecast to peak at 4.5% in the second quarter of 2023 then gradually reduce over the following years. However, as has been seen during 2022 the financial position can often change quickly, and the Council needs to be prepared for increases in rates. The historic low interest rates that we have been accustomed to have now gone and we may never see rates at those levels again.

139. The Council will look to report on the actual return achieved on its cash investments, both in terms of percentage and actual cash. It will look to report separately on different categories of cash investments e.g. Property Fund.

Regeneration and Economic Development – Income Generation

140. The Council has remained keen to pursue capital schemes that also generate income. Substantial investments in housing and energy projects will necessitate new borrowing. The levels of new borrowing that the Council can afford to take on board will be dependent upon the individual proposals and credit worthiness of the counterparties involved.

141. The additional risks that the Council is taking on need to be considered in the context of the totality of risk that the Council faces e.g. external claims, rates revaluation, robustness of income streams, economic downturns, etc. Where there is more risk and volatility in income streams the Council will need to ensure that it maintains sufficient reserves to ensure the Council’s ability to deliver key services is not jeopardised.

Treasury Management Reporting

142. The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a) Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report is forward looking and 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).

b) A mid-year treasury management report – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c) An annual treasury report – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy. At the end of the financial year, officers will report to Council on its investment activity as part of its Annual Treasury Report (to be presented by no later than 30 September).

Policy on Use of External Service Providers

143. The Council uses Link Group, Treasury solutions as its external treasury management advisors. There is currently value in employing external providers of

treasury management services in order to acquire access to credit worthiness information and specialist advice.

Training

144. The CIPFA Code requires the responsible officer (Chief Financial Officer) to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. In terms of treasury management in general, training has been undertaken by members on an annual basis to date.

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

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

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and key members.
- Require treasury management officers and key members to undertake self-assessment against the required competencies.
- Have regular communication with officers and key members, encouraging them to highlight training needs on an ongoing basis.

147. Treasury Management Training was offered to all members on 10th January 2022 and the following year on 11th January 2023. Further training will be arranged as required.

148. The training needs of treasury management officers are periodically reviewed.

149. A formal record of the training received by officers and members central to the Treasury function is maintained by the Deputy Chief Finance Officer.

MiFID II (Markets in Financial Instruments Directive)

150. In brief, this directive requires the Council to distinguish itself as either a retail or professional client. In order to qualify for professional status, the Council is required to show that it has more than £10m in investments, invests regularly (more than 10 times a quarter), as well as having appropriately trained and experienced staff.

151. To date only two counterparties have required us to complete the forms in order to maintain the existing professional status. The directive became law on 1 January 2018.

152. The two parties to date are Link Group and CCLA. A schedule of such counterparties will be maintained, as per the requirements of the Code, should the list expand further.

Scheme of Delegation

153. Please see Appendix 9.

Role of the Section 151 Officer

154. Please see Appendix 10.

APPENDIX 1

Minimum Revenue Provision – An Introduction

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

2. Statutory duty
Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

The Authority is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2018) gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent.

The MRP policy statement requires full Council approval in advance of each financial year.

There is no requirement to charge MRP where the Capital Financing Requirement is nil or negative at the end of the preceding financial year.

3. Government Guidance
Along with the above duty, the Government issued guidance which came into force on 31st March 2008 which requires that a Statement on the Council's policy for its annual MRP should be submitted to the full Council for approval before the start of the financial year to which the provision will relate.

The Council is legally obliged to "have regard" to the guidance, which is intended to enable a more flexible approach to assessing the amount of annual provision than was required under the previous statutory requirements. The guidance offers four main options under which MRP could be made, with an overriding recommendation that the Council should make prudent provision to redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits. The requirement to 'have regard' to the guidance therefore means that: -

Although four main options are recommended in the guidance, there is no intention to be prescriptive by making these the only methods of charge under which a local authority may consider its MRP to be prudent.

It is the responsibility of each authority to decide upon the most appropriate method of making a prudent provision, after having had regard to the guidance.

Option 1: Regulatory Method
Under the previous MRP regulations, MRP was set at a uniform rate of 4% of the adjusted CFR (i.e. adjusted for "Adjustment A") on a reducing balance method (which in effect meant that MRP charges would stretch into infinity). This historic approach must continue for all capital expenditure incurred in years before the start of this new approach. It may also be used for new capital expenditure up to the amount which is deemed to be supported through the Supported Capital Expenditure (SCE) annual allocation.

Option 2: Capital Financing Requirement Method
This is a variation on option 1 which is based upon a charge of 4% of the aggregate CFR without any adjustment for Adjustment A, or certain other factors which were brought into account under the previous statutory MRP calculation. The CFR is the measure of an authority's outstanding debt liability as depicted by their balance sheet.

Option 3: Asset Life Method.
This method may be applied to most new capital expenditure, including where desired that which may alternatively continue to be treated under options 1 or 2.

Under this option, it is intended that MRP should be spread over the estimated useful life of either an asset created, or other purpose of the expenditure. There are two useful advantages of this option: -

- Longer life assets e.g. freehold land can be charged over a longer period than would arise under options 1 and 2.
- No MRP charges need to be made until the financial year after that in which an item of capital expenditure is fully incurred and, in the case of a new asset, comes into service use (this is often referred to as being an 'MRP holiday'). This is not available under options 1 and 2.

There are two methods of calculating charges under option 3:
- equal instalment method – equal annual instalments,
- annuity method – annual payments gradually increase during the life of the asset.

Option 4: Depreciation Method
Under this option, MRP charges are to be linked to the useful life of each type of asset using the standard accounting rules for depreciation (but with some exceptions) i.e. this is a more complex approach than option 3.

The same conditions apply regarding the date of completion of the new expenditure as apply under option 3.

Minimum Revenue Provision Policy Statement 2023/24

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) regulations 2008 require the Authority to calculate a prudent provision of MRP whilst having regard to the current MRP Guidance (2018). The broad aim of prudent provision is to ensure that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The Guidance gives four ready-made options for calculating MRP but the Authority can use any other reasonable basis that it can justify as prudent.

The MRP policy statement requires full Council approval in advance of each financial year.

It is recommended that Council approves the following MRP Policy Statement.

- Supported borrowing incurred before 1st April 2008 will apply the Asset Life Method using an annuity calculation over 50 years.
- Unsupported borrowing will be subject to MRP using the Asset Life Method, which will be charged over a period which is reasonably commensurate with the estimated useful life of the assets. An annuity method will be applied for the MRP calculation.
- The interest rate applied to the annuity calculations will reflect the market conditions at the time. For the 2023/24 financial year the interest rate used will be average PWLB rate for the year.
- MRP will commence in the financial year following the one in which the expenditure was incurred, or in the year after the asset becomes operational.
- MRP in respect of unsupported borrowing taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset life method as recommended by the MRP guidance.
- MRP in respect of assets acquired under PFI or Finance Leases will be charged at a rate equal to the principal element of the annual lease rental for the year in question.
- MRP Overpayments - The MRP Guidance allows that any charges made in excess of the statutory MRP, i.e. voluntary revenue provision (VRP) or overpayments, can be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. The VRP overpayments up to 31st March 2022 are £0.
- On an annual basis the Section 151 Officer shall review the level of MRP to be charged, to determine if this is at a level which is considered prudent based on the Authority's circumstances at that time, taking into account medium / long term financial plans, current budgetary pressures, current and future capital expenditure plans. Dependant on this review the Section 151 officer will adjust the annual MRP charge by making VRP or reclaiming previous VRP. The amount of MRP charged shall not be less than zero in any financial year.

APPENDIX 2 - Interest Rate Forecasts

Link Group Interest rate forecast – Dec 2022 – March 2025

Link Group Interest Rate View	19.12.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

Note: PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

APPENDIX 3 - Economic Review (by Link Group)

ECONOMIC BACKGROUND

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	3.5%	2.0%	4.25%-4.50%
GDP	-0.2%q/q Q3 (2.4%y/y)	+0.2%q/q Q3 (2.1%y/y)	2.6% Q3 Annualised
Inflation	10.7%y/y (Nov)	10.1%y/y (Nov)	7.1%y/y (Nov)
Unemployment Rate	3.7% (Oct)	6.5% (Oct)	3.7% (Nov)

Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.

The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c£500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22nd February 2022.

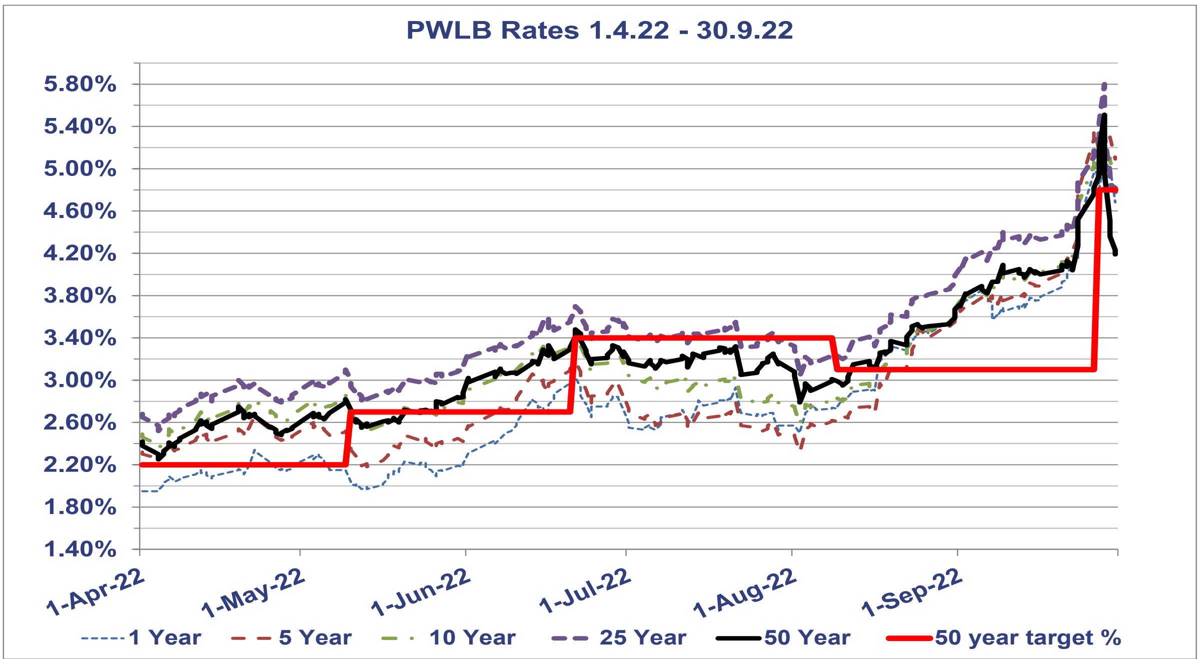
Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3% in November and the market expects Bank Rate to hit 4.5% by May 2023.

Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and December. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of 17th November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have completely reversed the increases seen under the previous tenants of No10/11 Downing Street.

Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one if not more quarters of GDP contraction. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.

The £ has strengthened of late, recovering from a record low of $1.035, on the Monday following the Truss government's "fiscal event", to $1.20. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

In the table below, the rise in gilt yields, and therein PWLB rates, through the first half of 2022/23 is clear to see.



However, the peak in rates on 28th September as illustrated in the table covering April to September 2022 below, has been followed by the whole curve shifting ever lower. PWLB rates at the front end of the curve are generally over 1% lower now whilst the 50 years is over 1.75% lower.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

After a shaky start to the year, the S&P 500 and FTSE 100 have climbed in recent weeks, albeit the former is still 17% down and the FTSE 2% up. The German DAX is 9% down for the year.

CENTRAL BANK CONCERNS – NOVEMBER 2022

At the start of November, the Fed decided to push up US rates by 0.75% to a range of 3.75% - 4%, whilst the MPC followed a day later by raising Bank Rate from 2.25% to 3%, in line with market expectations. EZ rates have also increased to 1.5% with further tightening in the pipeline.

Having said that, the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.

Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data has proven stronger than expected.

In addition, the Bank's central message that GDP will fall for eight quarters starting with Q3 2022 may prove to be a little pessimistic. Will the £160bn excess savings accumulated by households through the Covid lockdowns provide a spending buffer for the economy – at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

APPENDIX 4 - Prudential Indicators

The Council's Capital expenditure plans are the key driver of treasury management activity. The output of the Capital expenditure plans (detailed in the budget) is reflected in the prudential indicators below.

TREASURY MANAGEMENT PRUDENTIAL INDICATORS	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
Authorised Limit for external debt					
borrowing	110,000	110,000	135,000	135,000	135,000
other long term liabilities	5,000	5,000	5,000	5,000	5,000
TOTAL	115,000	115,000	140,000	140,000	140,000
Operational Boundary for external debt					
borrowing	105,000	105,000	130,000	130,000	130,000
other long term liabilities	5,000	5,000	5,000	5,000	5,000
TOTAL	110,000	110,000	135,000	135,000	135,000

Interest Rate Exposures	**2022/23 Upper**	**2023/24 Upper**	**2024/25 Upper**
Limits on fixed interest rates based on **net** debt	100%	100%	100%
Limits on variable interest rates based on **net** debt	100%	100%	100%
Limits on fixed interest rates:			
· Debt only	100%	100%	100%
· Investments only	100%	100%	100%
Limits on variable interest rates			
· Debt only	30%	30%	30%
· Investments only	100%	100%	100%

Maturity Structure of fixed interest rate borrowing 2023/24	**Lower**	**Upper**
Under 12 Months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years to 20 years	0%	100%
20 years to 30 years	0%	100%
30 years to 40 years	0%	100%
40 years to 50 years	0%	100%

Maturity Structure of variable interest rate borrowing 2023/24	**Lower**	**Upper**
Under 12 Months	0%	30%
12 months to 2 years	0%	30%
2 years to 5 years	0%	30%
5 years to 10 years	0%	30%
10 years to 20 years	0%	10%
20 years to 30 years	0%	10%
30 years to 40 years	0%	10%
40 years to 50 years	0%	10%

Affordability Prudential Indicator - Ratio of financing costs to net revenue stream

This indicator assesses the affordability of the capital investment plans. It provides an indication of the impact of the capital investment plans on the Council's overall finances. 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.

Prudential Indicator: Financing Cost to Net Revenue Stream	**2021/22 Actual**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 Estimate**
Financing Costs	£'000	£'000	£'000	£'000	£'000
1. Interest Charged to General Fund	1,825	1,847	2,811	3,681	3,665
2. Interest Payable under Finance Leases and any other long term liabilities	-	-	-	-	-
3. Gains and losses on the repurchase or early settlement of borrowing credited or charged to the amount met from government grants and local taxpayers	-	-	-	-	-
4. Interest and Investment Income	(540)	(808)	(824)	(618)	(618)
5. Amounts payable or receivable in respect of financial derivatives	-	-	-	-	-
6. Minimum Revenue Provision (MRP) / Voluntary Revenue Provision (VRP)	1,668	920	995	1,168	1,287
7. Depreciation/Impairment that are charged to the amount to be met from government grants and local taxpayers	-	-	-	-	-
Total	2,953	1,959	2,982	4,231	4,334
Net Revenue Stream Amount to be met from government grants and local taxpayers	14,253	14,530	14,821	15,117	15,420
Ratio **Financing Cost to Net Revenue Stream**	**21%**	**13%**	**20%**	**28%**	**28%**

This prudential indicator shows that the ratio of financing costs to the net revenue stream is increasing. This is not unexpected given that the Council has had an income generation strategy that has resulted in increased Capital expenditure over the period 2017/18 to 2021/22 and that the Council agreed a programme for over £54m of Capital expenditure over the period 2020/21 to 2023/24 - thus increasing borrowing costs. The above ratio does not take into account the income is being generated from some of the initiatives and commercial property acquisitions as these are not treated as investment income.

Other Prudential Indicators

Internal Borrowing and Gearing ratios for the authority are included in the Capital Strategy.

APPENDIX 5 - Specified and Non-Specified Investments

Specified Investments:

The idea of specified investments is to identify investments offering high security and high liquidity. All these investments should be in sterling and with a maturity of up to a maximum of one year.

Schedule A

	Security / Minimum Credit Rating	Maximum Maturity Period
Local authorities	N/A	1 year
DMADF – UK Government	N/A	1 year
Money Market Funds (CNAV, LVAV,VNAV)	AAA	Liquid
Term deposits with banks and building societies	Blue Orange Red Green No Colour	Up to 1 year Up to 1 year Up to 6 months Up to 3 months Not for use
Certificates of deposits (CDs) issued by credit rated deposit takers (banks and building societies)	Blue Orange Red Green No Colour	Up to 1 year Up to 1 year Up to 6 months Up to 3 months Not for use
UK Government Gilts	UK sovereign rating	12 months
UK Government Treasury Bills	UK sovereign rating	12 months

Non-Specified Investments

These are any investments which do not meet the specified investment criteria.
The aim is to ensure that proper procedures are in place for undertaking risk assessments of investments made for longer periods or with bodies which do not have a “high” credit rating. As far as this Council is concerned the risks are in relation to the value of the investments, which may rise, or fall, rather than deficient credit rating.

There is no intention to invest in Non-Specified Investments, other than those Property Funds where there are no Capital accounting implications, without taking specialist advice first. The limits on Investments in Property Funds will be agreed as part of this Treasury Management Strategy and Investment Policy. For clarity any increase in the level of the investment would need Council approval.

Schedule B

Investment	Security / Minimum credit rating	(A) Why use it? (B) Associated risks
Property Funds	*The use of these instruments can be deemed capital expenditure, and as such will be an application (spending) of capital resources. This Authority will check on the status of any fund it may consider using. Appropriate due diligence will also be undertaken before investment of this type is undertaken. These are longer term investments and will extend beyond 365 days (expected to be invested for 5 years or more)*	
UK Government Gilts with maturities in excess of 1 year Custodial arrangement required prior to purchase	Government backed	(A) Why use it? (i) Excellent credit quality. (ii) Very liquid. (iii) if held to maturity, known yield (rate of return) per annum – aids forward planning. (iv) If traded, potential for capital gain through appreciation in value (i.e. sold before maturity) (v) No currency risk. (B) Associated risks (i) 'Market or interest rate risk': Yield subject to movement during life of sovereign bond which could negatively impact on price of the bond i.e. potential for capital loss.

APPENDIX 6 - Approved Countries for Investments

The list is based on those countries which have sovereign ratings of AA- or higher (the lowest rating shown from Fitch, Moody's and S&P) and also have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

Countries that meet our criteria 1 (at 02.12.2022)

Based on lowest available rating

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

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

APPENDIX 7 - Treasury Management Policy Statement

The Council defines the policies and objectives of its treasury management activities as:

“The management of the organisation’s borrowing, investments and cash flows, including 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”.

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.

The 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.”

APPENDIX 8 - Key Principles and Clauses formally adopted

The Code identifies three key principles:

Key Principle 1

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.

Key Principle 2

Their policies and practices should make clear that the effective management and control of risk are the 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.

Key Principle 3

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.

Clauses formally adopted

1. This organisation will create and maintain, as the cornerstones for effective treasury management:

   - A Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of its treasury management activities.

   - Suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

   - Investment Management Practices (IMPs) for investments which are not for treasury management purposes

   The content of the policy statement TMPs and IMPs will follow the recommendations contained in Sections 6, 7 and 8 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Codes key principles.

2. This organisation (i.e. full Council) will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid- year review and an annual report after its close, in the form prescribed in its TMPs and IMPs.

3. This council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury decisions to the Chief Financial Officer, who will act in accordance with the organisations policy statement,TMPs and IMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

4. This Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

APPENDIX 9 - Treasury Management Scheme of Delegation

(i) Full Council

1. Approval of the Treasury Management Strategy - prior to the new financial year
2. Approval of the Investment Strategy - prior to the new financial year
3. Approval of the MRP Policy - prior to the start of the new financial year
4. Approval of any amendments required to the Strategy during the year
5. Receipt of a mid-year report on the Treasury Management Strategy, to include consideration of any recommendations of the Cabinet or Audit Committee arising from any concerns since the original approval.

(ii) Cabinet

1. Developing and determining the Treasury Management Strategy, Investment Strategy and MRP policy and recommending them to full Council - prior to the start of the new financial year.
2. Receipt of a mid-year report on the Treasury Management Strategy and any concerns since the original approval and making recommendations to Council as appropriate.
3. Receiving, and reviewing reports on treasury management policies, practices, activities, and performance reports (based on quarterly reporting).
4. Approval of/amendments to the organisation's adopted clauses, treasury management policy statement;
5. Budget consideration and approval;
6. Approval of the division of responsibilities;

(iii) Audit Committee

1. Scrutinising the Council's Treasury Management Strategy, Investment Strategy and MRP policy, Treasury Management Policy Statement and Treasury Management Practices and making recommendations to Cabinet and Council as appropriate.

2. Receiving and reviewing monitoring reports (based on quarterly reporting) and making recommendations as appropriate.

APPENDIX 10 - The Treasury Management Role of the Section 151 Officer

Chief Finance Officer (S151 Officer) responsibilities:

- recommending clauses, treasury management policy for approval, detemining Treasury Management Practices, 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.

Additional Responsibilities following new Codes of Practice/ Investment Guidance

The above list of specific responsibilities of the S151 officer in the 2021 Treasury Management Code has not changed. However, implicit in the changes in both the Prudential and the Treasury Management Codes, is a major extension of the functions of this role, especially in respect of non-financial investments, (which CIPFA has defined as being part of treasury management). Namely:-

1. preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe (say 20+ years – to be determined in accordance with local priorities).

2. ensuring that the capital strategy is sustainable, affordable and prudent in the long term and provides value for money.

3. ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority.

4. ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing.

5. ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources.

6. ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities.

7. provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees

8. ensuring that members are adequately informed and understand the risk exposures taken on by an authority.

9. ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above.

10. creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following): -

    - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;

    - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;

    - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

    - Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;

    - Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

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Capital Strategy (2023/24)

Introduction

1. Hastings Borough Council has a range of capital resources at its disposal which are used in the delivery of its strategic priorities and objectives. These resources include iconic assets such as Hastings Castle and the Cliff Railways, to parks and open spaces, leisure facilities and entertainment venues.

2. The council's ability to ensure that these vital assets are well maintained is crucial to the future financial stability and resilience of the council. If assets fall into disrepair and are no longer fulfilling their maximum potential and primary purpose, then the ability to deliver our objectives and priorities is severely hindered.

3. The Capital Strategy should provide a high-level overview of how capital expenditure, capital financing, investments, liabilities and treasury management activity contribute to the provision of services. Together with an overview of how associated risk is managed and the implications for future financial sustainability.

4. It is therefore imperative that the council manages and plans its use of capital resources wisely and why one of the stated corporate objectives is to develop a full and detailed Corporate Asset Management Plan which will feed into future capital strategies, along with a Housing Strategy to deal with the Housing crisis that the Council finds itself in currently.

5. With all capital expenditure comes associated risk, and this comes in different forms and needs to be managed by the council when apprising different options. The risks could be from;

   - Will the Asset deliver the projected outcome?
   - Are the estimates for running costs and income accurate?
   - What is the most prudent way of financing the asset i.e. borrowing?

Regulation

6. The CIPFA revised Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report, which seeks to provide the following:

   - a high-level long term 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.
   - the implications for future financial sustainability.

7. The aim of this capital strategy is to ensure that all elected members on the full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

8. This Capital Strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the Capital Strategy and the budget report. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.

9. The capital strategy seeks to identify:

   - The corporate governance arrangements for these types of activities;
   - Service objectives relating to the Capital expenditure;
   - The expected income, costs and resulting contribution;
   - The debt related to the activity and the associated interest costs;
   - The payback period (MRP policy);
   - For non-loan type investments, the cost against the current market value;
   - The risks associated with each activity.

10. Where a physical asset is being bought, details of market research, advisers used, ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

11. To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are identified.

12. The Capital strategy, and in particular the capital programme supports the Council's Corporate plan and is closely tied to the Medium Term Financial Strategy and the budget. The Capital Strategy is required to be compiled for a longer timeframe – generally 10 to 20 years although not specified.

13. The Council's future spending plans are continuing to evolve and as such the Capital Strategy and other strategies may need to be re-determined by full Council when the future plans are sufficiently robust – given the impact of the Towns Fund monies and the potential housing schemes. The report does detail

the Council’s borrowing commitments until 2069/70 that result from past and current capital programmes.

Objectives of the Capital Strategy

14. The Capital Strategy is one of the council’s key documents in providing a medium to long term plan. It needs to be consistent with other key plans such as the following;

- Corporate Asset Strategy
- Corporate Plan
- Capital Programme
- Treasury Management Strategy
- Medium Term Financial Plan
- Revenue Budget
- Resources Plan

15. The Capital Strategy is therefore the policy framework document that sets out the principles to be used to guide the allocation of capital investment across all of the councils’ priorities and informs the decisions on capital spending priorities.

16. In addition, and as part of the strategy, the Chief Financial Officer reports explicitly on the affordability and risk associated with the Capital Strategy.

High Level Overview of how Capital Expenditure, Capital Financing and Treasury Management Activity Contribute to the Provision of Services

17. As detailed in the Council’s Medium Term Financial Strategy (MTFS), the Council continues to be in a difficult financial position requiring service reforms in its journey to becoming a lower spending council. The Council seeks to use capital investment in the borough to not only achieve key corporate objectives but also to generate additional income in order to continue to provide services to its residents. The expenditure plans for the next three years are detailed below along with the expected outcomes.

Capital Expenditure 2023/24

18. Capital Investment is defined as “Expenditure on the acquisition, creation, or enhancement of ‘non-current assets’ i.e. items of land, property and plant which have a useful life of more than 1 year”. Expenditure outside of this definition will therefore be revenue expenditure.

19. The Council's Capital programme amounts to some £31.322m (£25.789m net of grants and contributions) in 2023/24. The major areas of expenditure include:-

(I) **Cornwallis Street Development (£8.4m for 2023/24)**
The redevelopment of Cornwallis Street car park for a hotel. This is expected to help regenerate the town centre, provide much needed overnight accommodation, as well as securing new jobs.

(II) **Housing Acquisition Programme (£11,866,000 of which £5.933m is expected to be spent in 2023/24)**
A programme to potentially acquire up to 50 housing units of various bedroom sizes to use as Temporary Accommodation to reduce the cost to the council of using privately owned accommodation.

(III) **Mayfield E – Affordable Housing (£8m of which £4.5m is expected to be spent in 2023/24)**
Development of 38 affordable housing units.

(IV) **Bexhill Road South – Affordable Housing and Car Park (£3.575m of which £2.5 is expected to be spent in 2023/24)**
Affordable housing development of 16 plus units and car park refurbishment. The council has set a target to provide 500 Affordable Rent Homes over 5 years through a variety of projects, including direct delivery.

(V) **Energy Generation – Unallocated (£4.3m of which £2.3m is expected to be spent in 2023/24)**
An additional £4.3m has been allocated for energy generation projects but remains unallocated.

(VI) **Disabled Facility Grants (£2.056m (Est) – all grant funding)**
Property related grants for adapting homes. In 2022/23 the Council will receive funding approaching £2.1m. The figure for 2023/24 is not yet known – but is not expected to be less. Unspent grant from previous years can be carried forward to use for future spend.

(VII) **Lower Bexhill Road – Housing Development (£6.9m of which £2.m is expected to be spent in 2023/24)**
The Council has received funding of some £6.9m to progress this site (grant claimed in arrears).

(VIII) **Cliff Railway (£1m for 2023/24)**
East Hill Cliff Railway essential Health & Safety improvements and track maintenance.

(IX) **Annual programme of roof refurbishment (£1.7m of which £0.7m is expected to be spent in 2023/24)**
An annual programme of roof refurbishment is required for our commercial and industrial buildings to ensure they remain watertight for their tenants and the council is able to maintain their rental income over the coming years.

(X) Grounds Maintenance Equipment (£626k for 2023/24)
Equipment is required for the new in-house grounds maintenance team to be able to carry out their role.

(XI) Energy – Solar Panels (£1.638m of which £0.5m is expected to be spent in 2023/24)
The installation of solar panels on non-domestic rooftops within the borough – providing cheaper energy for businesses. An additional £4.3m has been allocated for energy generation projects in future years but remains unallocated.

(XII) Priory Meadow Contribution to capital works (£288,000 for 2023/24)
The Council owns 10% of the Priory Meadow shopping centre. The money represents its share of any capital investment costs for 2022/23. The Council receives 10% of the net income for the centre which provides a significant contribution towards meeting the service costs of the council.

(XIII) Pelham Crescent / Pelham Arcade – Building/Restoration Works (£350,000 in 2023/24)
In line with the strategic priority of an attractive town, the council is working with property owners to restore the crescent and roadway. Much of the work is conditional on receipt of external grants and contributions.

(XIV) Conversion of 12/13 York Buildings (£74k for 2023/24)
Final costs for the conversion of 6 flats at York Buildings.

(XV) Groyne Refurbishment (£35k for 2023/24)
Preserving sea defences and the town is a key priority. The Council funds the groyne refurbishment/ sea defence works and sets aside £35,000 p.a. for this – sometimes packaged together over several years.

Capital Expenditure 2024/25

20. The 2024/25 Capital programme amounts to some £15.324m (£11.521m net of grants and contributions).

21. The main areas of expenditure are Housing Acquisition Programme (£5.933m), Mayfield E Housing (£3.5m), Disabled Facility Grants (£2.056m fully grant funded), Energy Generation (£2m unallocated, £500,000 for Solar Panels), Annual programme of roof refurbishment (£500,000), Road at Pelham Arcade (£700,000) and Groyne refurbishment (£35,000).

Capital Expenditure 2025/26

22. The Council's current capital expenditure plans for 2025/26 amount to some £2.591m (£535,000 net of grants and contributions).

23. The main areas of expenditure are currently Disabled Facility Grants (£2.056m fully grant funded), Annual programme of roof refurbishment (£500,000) and Groyne Refurbishment (£35,000).

Summarised Capital Expenditure and Funding - 2022/23 to 2025/26

24. The table below shows a summary of the expenditure for the current and next three years, along with the projected borrowing requirements.

	Revised 2022/23 £'000s	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s
Gross Capital Expenditure	16,879	31,322	15,324	2,591
Net Capital Expenditure	14,816	7,186	25,789	11,521
Financing from own resources	5,500	5,500	50	50
Borrowing Requirement	1,686	25,739	11,471	485

Financing the Capital Programme

25. The Council can invest in a capital programme so long as its capital spending plans are "affordable, prudent and sustainable".

26. The main sources of finance for capital projects are as follows:

- Capital receipts (from asset sales)
- Capital grants (e.g. Disabled Facilities Grant)
- External contributions (e.g. Section 106 developers' contributions)
- Earmarked Reserves
- Revenue contributions
- Borrowing including internal (Capital Financing Requirement).

27. Borrowing (or Capital Financing Requirement) makes up the most significant element. While the Council has sufficient cash and investment balances in the near term it is able to internally borrow but, in the future, will need to borrow externally in addition to the estimated £65.4m borrowing which will be outstanding at 31 March 2023.

28. The Capital Financing Requirement is reduced over the life of individual assets by an annual contribution from revenue (Minimum Revenue Provision). Further information including borrowing forecasts, the provision for the repayment of debt, and borrowing limits are set out in the Treasury Management Strategy. The table below shows the projected indebtedness of the Council based on the current Capital programme and expected levels of capital receipts, grants and contributions.

Table: Capital Financing Requirement (CFR) less Minimum Revenue Provision (MRP)

CFR	2021/22 (unaudited) £'000s	2022/23 (Estimate) £'000s	2023/24 (Estimate) £'000s	2024/25 (Estimate) £'000s	2025/26 (Estimate) £'000s
CFR-Opening	72,683	71,970	72,737	97,512	107,816
Less MRP	(1,668)	(919)	(964)	(1,168)	(1,287)
Plus New Borrowing	955	1,686	25,739	11,471	485
CFR Closing	**71,970**	**72,737**	**97,512**	**107,816**	**107,014**

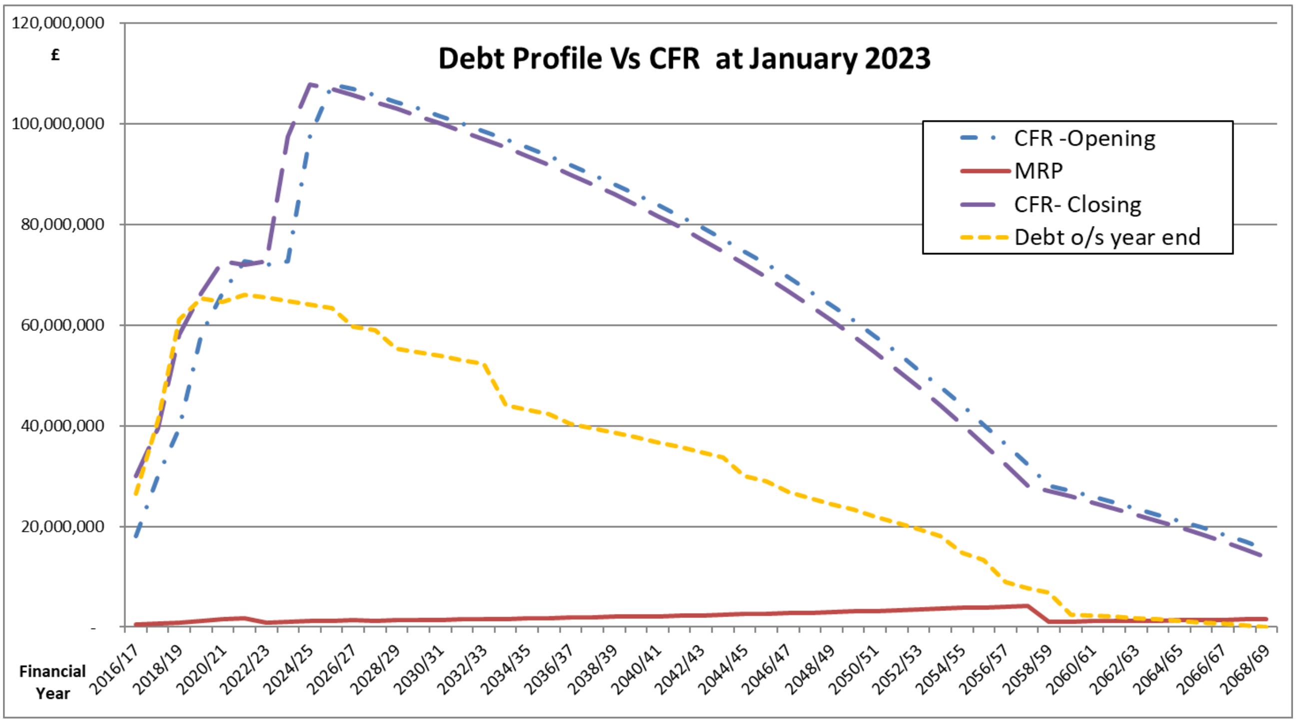
29. The table above highlights that by the end of 2024/25 the level of debt will have increased to some £107.8m (subject to viability and the approval of schemes within the Capital programme).

Revenue Consequences of the Capital Programme on the General Fund

30. Borrowing has long term revenue consequences. The overall indebtedness of the Council is reduced by the MRP each year. The overall level of debt needs to be viewed against the overall Long-Term Assets of the authority which stood at £185.420m at 31 March 2022 (unaudited) (£182.088m as at 31 March 2021).

Debt Profile and CFR

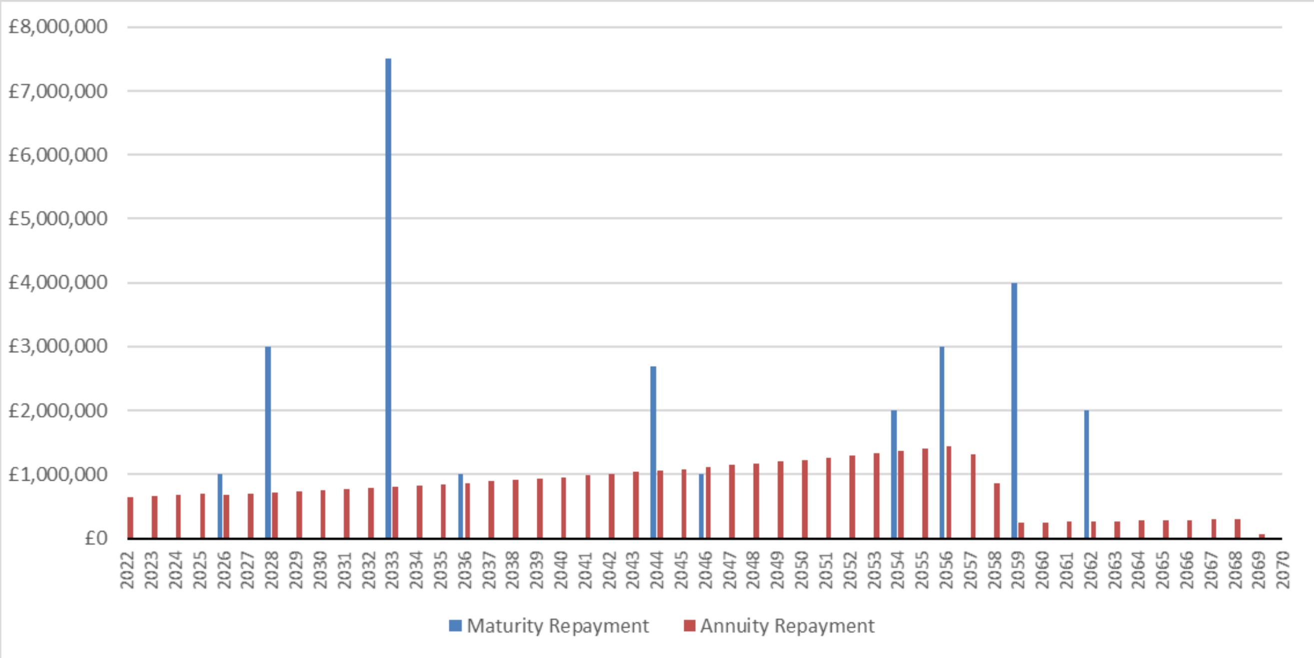
31. The graph below shows how the CFR (blue and purple lines) reduce over time as MRP payments are made. The yellow line shows the level of external debts reducing as principal repayments are made (see debt maturity graph below).



32. The graph above is based on the current known capital programme up to 2025/26. If further capital expenditure is finance by borrowing, which is highly likely, then this will push the trajectory of the graph out into further years and increase future MRP payment.

Debt Maturity

33. The Graph below shows the profile of when debt (loans from the PWLB) become repayable. Blue lines indicate maturity loans and red lines indicate annuity loans.



34. The Council will need to carefully consider the structure and timing of any new borrowing to ensure debt does not exceed the CFR in the years ahead.

Financial Risk Management

35. The Treasury Management Strategy outlines in some detail the economic environment and the risks that the Council faces in managing its investments and borrowing activities.

36. A significant proportion of the Council's capital programme is likely to be financed by borrowing and this exposes the Council to the risk of changing interest rates and the ability to afford debt repayments.

37. Where borrowing money to finance economic development or regeneration schemes the Council is increasingly dependent upon the income streams to finance the debt repayments. No matter how good the business cases, and how much of the debt is at fixed rates, there is a limit to the exposure that is acceptable without putting the Council at complete risk of being unable to provide key services in the event of a significant recession.

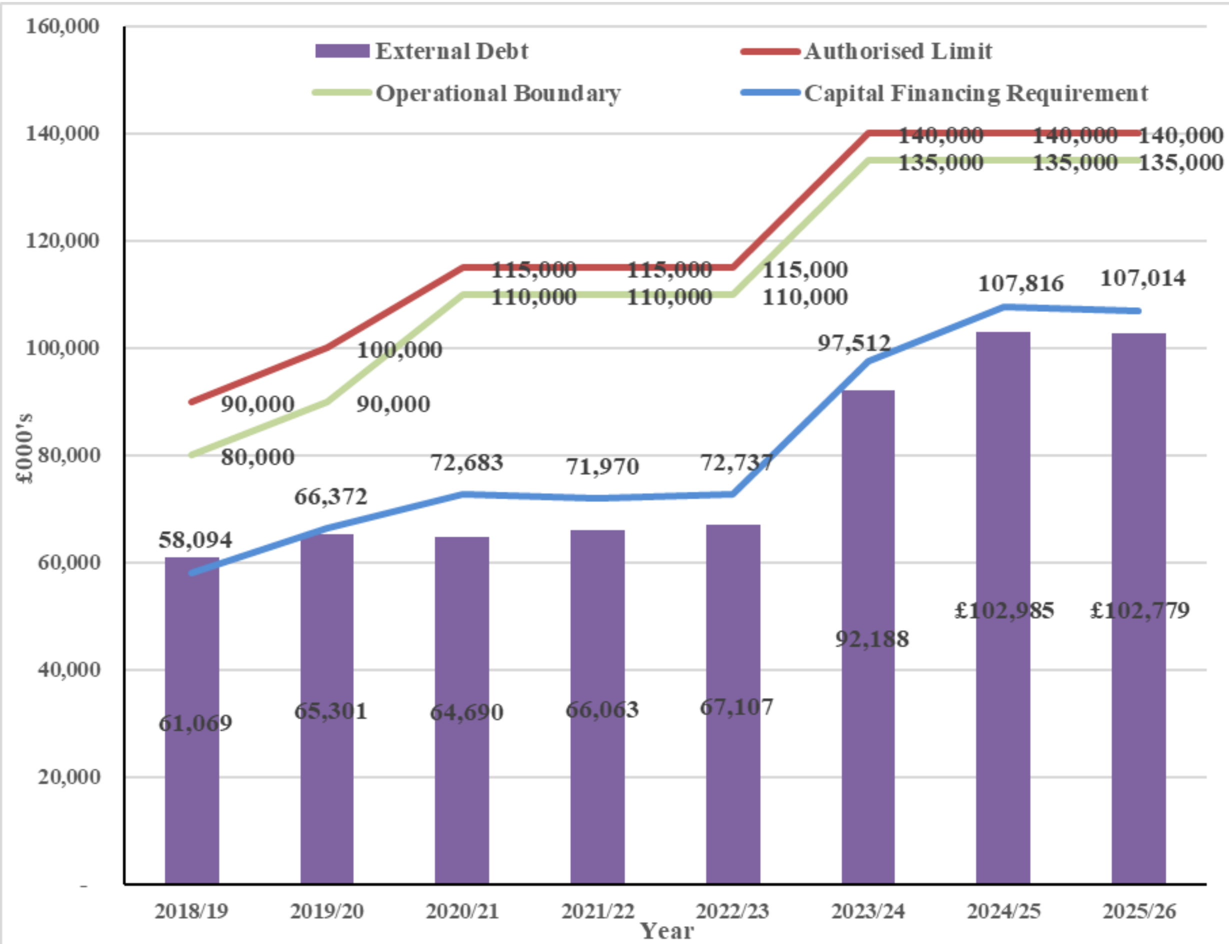
38. To arrive at an overall borrowing level (Authorised and Operational borrowing limits), the Council needs to take a considered view of its other potential liabilities, future borrowing requirements, guarantees and loans given, bad debts, claims against the Council, future funding, security and diversity of the existing income streams, and unforeseen events e.g. a pandemic.

39. Based on the existing Capital programme, by 2024/25 interest on debt will amount to some £3.681m p.a. with capital repayments (MRP) of £1.030m; offset by income and interest. This represents some 28% of the net revenue stream (amount met from government grants and local taxpayers). Interest on debt is estimated at £2.811m for 2023/24.

40. The full Council determine the total limits on borrowing.

41. The graph below demonstrates the relationship between the various boundaries and limits and the actual borrowing undertaken to date or planned. The gap between the external debt and CFR also helps to illustrate the level of internal borrowing and potential interest rate exposure. The gap between the CFR and Operational Boundary/Authorised Limit highlights the potential scope/flexibility to borrow further, if the cashflow and treasury management position dictates.

Table: External Debt, Authorised Limits and CFR Projections



42. In terms of cash backed investments, the Investment Policy provides strict guidance on the counterparties the Council is prepared to invest with and for what periods. The Council invested £2m in a property fund (CCLA) in April 2017 and a further £3m tranche of monies in a diversified investment fund in 2020/21.

43. In terms of asset backed investments and projects e.g. involving commercial property and housing, the business cases look to identify the alternative options and uses of the premises should they become vacant. The Council increased the minimum level of reserves held in recognition of the fact that there will inevitably be void periods, and expenditure will be incurred in updating properties from time to time in order to re-let them. Where the Housing Company is concerned, it will need to retain sufficient working balances to re-let and refurbish properties. It is important that void periods are minimised and that properties acquired are not inherently defective, and their needs to be regular oversight.

44. Some projects such as the solar panel installations have some asset backed values, but the ability to meet the debt repayments from energy savings and sale of the surplus energy will remain a risk unless long term forward sale agreements are made. However, such long-term agreements come at the cost of not necessarily obtaining the maximum income. A balance of risk and reward needs to be achieved.

Loans and Guarantees

45. The Council is required to maintain a schedule of loans and guarantees to other organisations.

Table: Loans to Other Organisations

3rd Party Organisations	Rate/ Return (%)	Start Date	End Date	Principal Outstanding as at 31/03/2023 £	Type
Amicus /Optivo	3.78%	04/09/2014	02/09/2044	£1,788,235	Maturity
The Foreshore Trust	1.66%	21/03/2016	20/03/2026	£95,262	Annuity
The Source	2.43%	17/12/2015	17/12/2025	£8,144	Annuity
			Sub-Total	**£1,891,641**	
Hastings Housing Company					
Hastings Housing Company - Loan 1	4.48%	28/02/2018	28/02/2058	£784,676	Maturity
Hastings Housing Company - Loan 2	4.84%	12/02/2019	12/02/2059	£344,810	Maturity
Hastings Housing Company - Loan 3	4.84%	13/06/2019	13/06/2059	£4,359,912	Maturity
			Sub-Total	**£5,489,398**	
			Total	**£7,381,039**	

46. The above table shows a series of loan to the Hastings Housing Company in respect of property purchases. As at 31 December 2022 the Capital loans amount to £5,489,398. The company has access to a revenue loan facility from the Council; the company fully repaid the revenue loan but has outstanding commitments regarding the capital advances.

47. The Housing Service provides loans and guarantees to individuals for rent in advance and rental deposits and the Council also provides a limited loan facility to staff for car loans, season tickets, and bicycle loans.

48. The Council has other liabilities that need to be considered when assessing the overall financial position of the Council e.g. potential legal claims, pension liabilities.

Reserves

49. The Council maintains reserves for specific purposes (earmarked reserves) and also a general reserve for unavoidable future liabilities. The minimum recommended level of reserves to be maintained has been set at £6m. The adequacy of the reserve levels are reviewed on a regular basis, and particularly when determining the budget.

50. The Council's General and Earmarked reserves are set to fall further over the forthcoming 12 months. The balance at 1 April 2022 was £30,604m (unaudited). This figure however includes a large amount of ringfenced reserves that can only be used for specific purposes, for example Disabled Facilities Grant moneys. Once these balances are removed the level of freely usable reserves falls to £12.035m. At the 31 March 2023 the estimated balance will be £9.705m with the balance at the end of 2023/24 forecast to reduce further unless sufficient budget savings are made.

51. The reduction in balances will result in less interest being earned on investments, greater short-term borrowing to match cash flow requirements, along with the need to match future renewal and repair commitments to available resources. If general reserves are used to a significant level to finance emergency or non-avoidable expenditure, then future budget cuts (potentially in-year) will be required to restore reserves to minimum levels.

Risk Appetite & Prudential Indicators

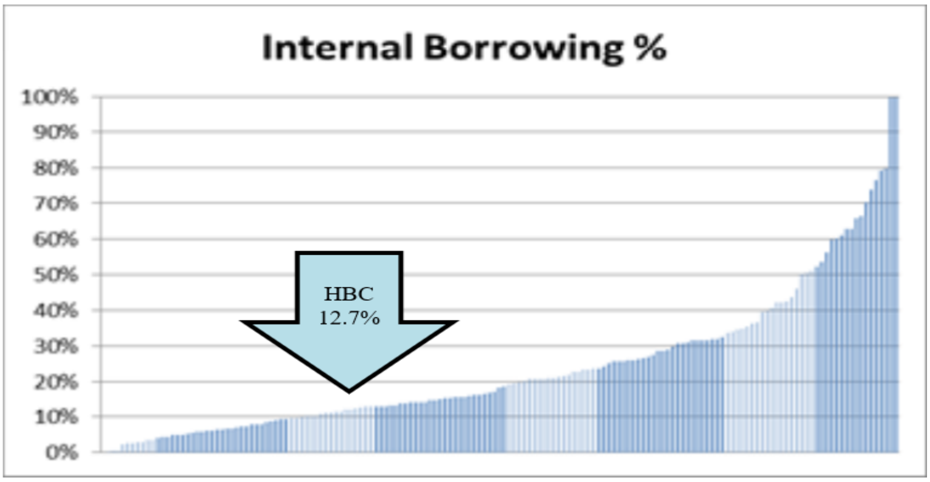
Internal Borrowing

52. When undertaking Capital projects or purchasing new assets, the Council has a number of options as to when and how to finance these. If there are no grants or

revenue resources and no capital receipts the Council will finance by borrowing. If it delays the borrowing, then it will be using its own monies (Internal borrowing - generally from reserves) to temporarily fund the assets.

53. If an authority has a large internal borrowing position, this will mean that reserves and balances have temporarily been used to support borrowing positions and therefore the reserves will not be backed by cash in the bank. This position continues to work for many, but as reserves and balances are utilised in the years ahead and balances fall, this will reduce any ability to internally borrow and may bring forward the need to borrow externally (potentially at a time of high interest rates, or when there is limited ability to borrow externally).

Table showing levels of Internal borrowing in Councils (Link Asset Service's Client Base)



54. The Council's Treasury advisers undertook a review of client's balance sheets and the average level of internal borrowing was, from the above graph, just under 20%. The level will vary depending upon when an authority finances expenditure and when debt is refinanced.

55. For Hastings Borough Council it has previously sought to achieve near full financing of the Capital programme over recent years in order to take advantage of the historically low borrowing rates and avoid the risk of having to lock into high interest rates when it has no option but to borrow. For the last year a higher level of internal borrowing was adopted. Currently, with interest rates having risen considerably from historic lows, and looking likely to increase further the Council will need to carefully consider when the best time to borrow is. Guidance from our external treasury managers will be sought before any borrowing decision are made.

56. For 2022/23 the level of internal borrowing by year end is expected to be £5.63m out of a total borrowing requirement of some £72.737m (7.7%).

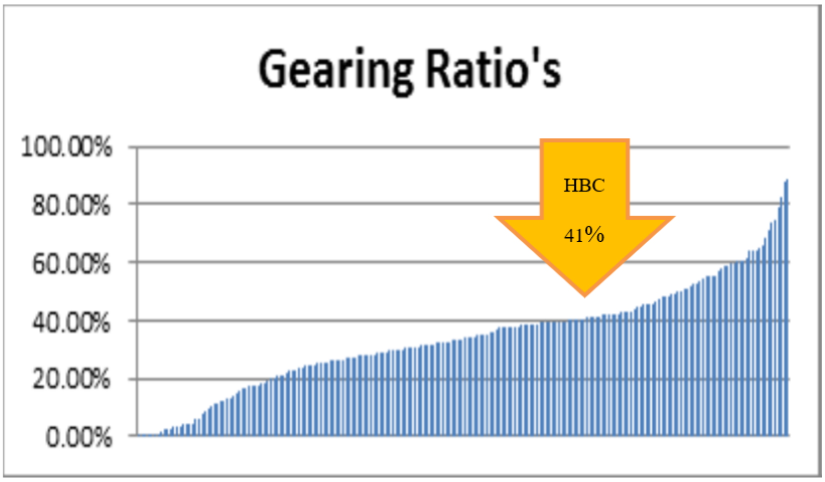
Gearing

57. Gearing has predominantly been a debt metric used by the private sector more than the public sector, but recent moves towards commercialism opportunities and investments means that borrowing is a much greater risk and gearing is an appropriate prudential indicator.

58. Based on Link Groups' analysis of balance sheet positions for 2017/18, gearing ratios for over 200 authorities averaged out at around 35% when comparing Capital Financing Requirements (CFR) to total Long-term Assets reported.

59. Due to the nature of assets held, services provided and historical debt decisions, positions will vary across different types of authority, and for many authorities the ratios will have increased since 2017/18. However, it still provides a useful comparator.

Table: Gearing ratios in Councils (Link Group's Client Base)



60. Gearing provides an early indication of where debt levels are rising, relative to long-term assets held.

61. Despite some of the adverse publicity around local authority finances, it can be argued that gearing of 35%, on average, is not a bad position for the sector to be in, as in simple terms 65% of the costs of long-term assets have been paid for, with debt outstanding on the remaining 35%.

62. In the private sector gearing is generally calculated on net assets and a generally accepted norm is a ratio between 25% and 50%. The risk exposures are usually deemed to be greater where a company has much of its borrowing at variable rates – which is the opposite of the Council's position (all is now at fixed rates).

Table showing Future Projections of Gearing Ratios – based on Capital programme

Gearing Calculation	Actual 2020-21 £'000	Actual 2021-22 £'000	Estimate 2022-23 £'000	Estimate 2023-24 £'000	Estimate 2024-25 £'000	Estimate 2025-26 £'000	Operational Boundary £'000
Capital Expenditure			16,879	31,322	15,324	2,591	
New Borrowing			1,686	25,739	11,471	485	
Net Assets	88,861	108,409	125,288	156,610	171,933	174,524	218,872
Long Term Assets	182,088	185,420	202,299	233,621	248,944	251,535	295,883
Capital Financing Requirement	72,683	71,970	72,737	97,524	108,007	107,468	135,000
RATIOS:							
Debt: Net Assets	**82%**	**66%**	**58%**	**62%**	**63%**	**62%**	**62%**
Debt: Long Term Assets	**40%**	**39%**	**36%**	**42%**	**43%**	**43%**	**46%**

Note: Outturn figures for 2020/21 and 2021/22 are unaudited

63. The Council's position will move from 39% to 42% but remains close to the average (35%), especially considering this average is likely to have increased since 2017/18. If the Council borrowed at the limits to the Operational Boundary (£135m), then debt to long term assets ratio could rise to 46%.

64. All decisions around debt comes back to affordability, prudence and sustainability principles which are at the heart of the Prudential Code and have been since its inception in 2004.

65. The Chartered Institute of Public Finance and Accountancy have issued a clear statement on the levels of debt that Councils in general are accumulating following the purchase of commercial assets in particular. Such borrowing must be proportionate to the size of the authority. Further detailed guidance was released in autumn 2019, and further changes to the Treasury Management codes have been undertaken to produce revised 2021 editions.

66. The government revised their lending criteria for the Public Works Loan Board (PWLB) on the 25 November 2020 which effectively prevents Councils from borrowing for commercial property investments where the primary purpose is to make a return (yield). The Council has no intention of purchasing commercial property primarily for yield and were it to consider doing so it would need to seek full Council approval to do so.

Ratio of Financing Costs to Net Revenue Stream

67. Financing costs are the element of the budget which an authority is committed to, even before they have run a single service or incurred any other costs as they reflect the current costs of previous/planned capital financing decisions.

68. In Hasting's case the ratio of financing costs in 2023/24 represents, 20%, of the Net Revenue Stream which leaves 80% of the revenue stream for all the other

services to be provided. The higher the percentage, therefore, the less is left for running services.

69. If the Net Revenue Stream is reducing, as funding sources are reduced over time, then even though financing costs may be fixed through fixed-term loans and interest rate certainty, the ratio will potentially continue to climb leaving less available for front-line services and placing further pressures on budget positions (increases to 40% by 2025/26).

70. However, the income the Council receives from rents and fees and charges decreases the net expenditure of the Council. The calculation of debt charges to “the amount to be met from Grant and Collection Fund” as a proxy for the “Net Revenue Stream” therefore has to be treated with considerable caution.

71. This leads back then to local decision making and the need/objectives behind capital investment. Business cases must identify ongoing revenue implications and hence affordability. The Treasury Management Strategy includes a prudential indicator that identifies the ratio of financing costs to Net Revenue Stream. This is a further way of ensuring that affordability, prudence and sustainability considerations are kept to the fore in treasury reporting.

Corporate Governance Arrangements – Project Approval Process

72. The Council has an ambitious Corporate Plan, and it remains important that the capital programme remains realistic in terms of resources and timescales to achieve the desired outcomes.

73. The Council has a number of project management procedures and tools in place for managing individual projects. Key is the project initiation stage, the approval process and thereafter effective performance monitoring and reporting. A business case is required and a detailed report to Cabinet/Council. Any new Capital proposal requires full Council approval.

74. Major projects are likely to have impacts on other key services such as Legal, Finance and Estates teams depending upon the nature of the projects. External support is commissioned where there is insufficient capacity, knowledge, or expertise within the Council. Cabinet and the Overview and Scrutiny Committee receive quarterly updates on financial performance (including the capital programme).

75. Property developments and purchases are considered by Cabinet, and are subject to full Council approval, with delegated authority normally provided thereafter to the Chief Finance Officer in consultation with the leader to negotiate the final terms. The Council’s legal team, surveyors and Corporate Property Officer are all closely involved. The Council will normally employ the services of an agent to advise on the price and conduct negotiations. Necessary due diligence is conducted and external specialist surveyors and advisors employed as necessary.

Repair and Renewal Programme

76. The Council has a comprehensive repair and renewal programme. There are elements of a reactive and recurring nature and a separate costed schedule for planned maintenance items (see budget). The Council contributes an annual sum of £500,000 to a reserve which funds the programme. In 2021/22 there was expenditure of £658,026, for 2022/23 the budgeted expenditure amounts to £547,700 and in 2023/24 it is estimated at £762,300. As a result of expenditure exceeding income the balance on the reserve is expected to fall from £1.471m at 31 March 2022 to some £923,300 by the end of March 2023.

Information Technology Reserve

77. Like most Councils and businesses, the Council is totally reliant on effective IT in order to deliver services. The Council is continuously improving systems and looks to streamline service provision wherever possible. Business continuity planning remains vital against the continuing systems attacks that are experienced, and it remains critical that systems and virus protection software remain updated.

78. Like the Repair and Renewal programme the costs of acquiring and the updating of systems does not fall uniformly in any one year and hence an annual contribution is made into an IT Reserve.

79. The Council contributes £189,000 p.a. into the fund. The expenditure in 2021/22 amount to £230,300 and is estimated at £214,000 in 2022/23 and £214,000 in 2023/24 (see budget).

Knowledge, Skills and Training

80. In order to deliver the Capital Programme it is essential that the Council has access to the right knowledge and skills. The Council employs fully qualified and experienced staff such as solicitors, estate managers, surveyors and accountants.

81. The Council maintains a training budget, recognising that it remains critical to the organisation to have a well-trained and motivated workforce. The Council provides on-line training courses, internal and external training, to enable staff to complete their Continuing Professional Development (CPD) requirements.

82. The Council seeks to ensure members have access to training opportunities in order for them to adequately undertake their governance role. Workshops and training events are held on a regular basis.

83. Where specialist knowledge is required the Council will obtain expert advice, particularly around property specialisms, taxation, and legal advice.

Chief Finance Officer Report

84. Within the Prudential Code it is the responsibility of the Chief Finance Officer to explicitly report on the delivery, affordability and associated risks to the strategy.

Delivery

85. The Council, which has significant deprivation levels, understandably has an ambitious Corporate Plan. This is set against a background of severe funding reductions, and the need to provide good services to the many visitors, residents and businesses.

86. The delivery of the individual schemes in the Capital Programme are directly linked to the original approval and business case for each individual project which has an assigned project manager responsible for delivery.

87. As part of the quarterly financial update report the performance of individual projects are presented to Overview and Scrutiny along with all other financial performance.

Affordability

88. Affordability is critical in applying the capital strategy and approving projects for inclusion in the capital plan. This is mostly demonstrated by a specific report on the project being presented to council for approval supported by a business case identifying the expenditure and funding, appraisal of alternative options and the risks and rewards for the approval of the scheme.

89. The Capital programme is heavily reliant on borrowing and will continue to be so especially given that the Council is looking at some major economic development and regeneration schemes.

90. Where borrowing is to be used, the affordability is key, and that affordability has to include the interest costs of that borrowing and the provision for the repayment of the borrowing. This repayment is matched to a prudent asset life and any income streams estimated to fund this asset must be sustainable. The “rules” around the governance of this borrowing is outlined in the prudential code.

91. At no stage should the asset value be lower than the value of outstanding debt, other than for a short period, unless there is a clear plan to mitigate that shortfall or to sell that asset.

92. The Council’s existing borrowing levels are not considered excessive. However, a downturn in the economy with resultant loss of income would require the Council to make greater service cuts to balance the budget. The Council must look to achieve a sustainable and balanced budget in future years, and reduce its reliance on drawing down from its Reserves.

Risks

93. The risks associated with individual projects are identified and mitigated as part of the initial business case development stage and reported through both the financial reporting process to Overview and Scrutiny as well as being included as part of the Corporate Risk Register.

94. There are clear links from the capital plan to both the treasury management strategy, prudential indicators, authorised borrowing limits and the revenue budget. These are also subject to review and oversight by members at Audit Committee and Council.

95. For any new borrowing, and this is a greater risk as the value of borrowing increases, this increases the councils overall liabilities that will need to be repaid in the future. In addition this increases the Council's level of fixed interest and repayment costs that it will incur each year. This is a clear risk that all members need to be aware of.

96. However, this risk for all assets is mitigated by a robust business case and a full MRP that will repay the borrowing costs over a (prudent) asset life. Any variation in expected income is an issue, however given the wide range of operational assets and different income streams this is not considered a significant risk.

97. This Capital Strategy and the Treasury Management Strategy is likely to be reviewed and updated during the year, and put before full Council, as and when the Council's spending plans are developed further.

Conclusion

98. The current system of borrowing is still a self-regulatory system which means that responsibility for borrowing decisions, and the level of borrowing incurred by a Council are determined at a local level.

    "..the responsibility for decision making and ongoing monitoring in respect of capital expenditure, investment and borrowing, including prudential indicators, remains with full Council". (Prudential Code December 2017).

99. The Chief Finance Officers' personal view is that borrowing decisions result in a long-term commitment to fund that borrowing, and that all decisions are made as a whole programme perspective and not on an individual basis.

100. However, for transparency and ease of comparison between projects, indicative full figures for borrowing will always be included in all business cases brought forward for decision making regardless of whether or not borrowing will actually be required.

Consultation and Communication

101. The detailed Capital Programme is included within the Council’s budget which is on the Budget Cabinet agenda. The programme supports the Council’s Corporate Plan which is likewise on the same Budget Cabinet agenda.

102. The draft budget for 2023/24 is subject to public consultation from January 2023.

Equality Impact Assessment

103. Equality Impact assessments are considered as part of the business case when considering individual capital proposals.

Appendix 1

Affordability Prudential indicator - Ratio of Financing Costs to Net Revenue Stream

Prudential Indicator: Financing Cost to Net Revenue Stream	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Financing Costs	£'000	£'000	£'000	£'000	£'000
1. Interest Charged to General Fund	1,825	1,847	2,811	3,681	3,665
2. Interest Payable under Finance Leases and any other long term liabilities	-	-	-	-	-
3. Gains and losses on the repurchase or early settlement of borrowing credited or charged to the amount met from government grants and local taxpayers	-	-	-	-	-
4. Interest and Investment Income	(540)	(808)	(824)	(618)	(618)
5. Amounts payable or receivable in respect of financial derivatives	-	-	-	-	-
6. Minimum Revenue Provision (MRP) / Voluntary Revenue Provision (VRP)	1,668	920	995	1,168	1,287
7. Depreciation/Impairment that are charged to the amount to be met from government grants and local taxpayers	-	-	-	-	-
Total	2,953	1,959	2,982	4,231	4,334
Net Revenue Stream Amount to be met from government grants and local taxpayers	14,253	14,530	14,821	15,117	15,420
Ratio **Financing Cost to Net Revenue Stream**	**21%**	**13%**	**20%**	**28%**	**28%**

Note: Outturn figures for 2021/22 are unaudited

Agenda Item 6

Report to: **CAB**

Date of Meeting: **30th January 2022**

Report Title: **Pay Policy Statement 2023/24**

Report By: **Jane Hartnell – Managing Director**

Purpose of Report

The purpose of the report is for approval of the Pay Policy Statement for 2023/2024, as required by the Localism Act 2011.

Recommendation(s)

1. **Recommendation of the pay policy statement to full council for approval**

Reasons for Recommendations

The Localism Act 2011 requires Hastings Borough Council to prepare and publish an annual pay policy statement. The purpose of such a statement is to provide information about Council policies on a range of issues relating to the pay of its workforce, particularly its senior staff and its lowest paid employees. A Pay Policy must be prepared for each financial year and must be approved by Full Council, and published

Introduction

1. The Localism Act 2011 requires Hastings Borough Council to prepare and publish a pay policy statement for each financial year.

2. The attached statement (Appendix 1) sets out the key policy principles that underpin the Council's requirements to provide accountability under the Localism Act. It takes into account and has due regard to guidance issued by the Department of Communities and Local Government.

3. The majority of the statement reflects current policy, practice and procedures adopted by the Council and it is cross referenced to other documents including the Council's severance scheme and transparency requirements.

Timetable of Next Steps

4. Please include a list of key actions and the scheduled dates for these:

Action	Key milestone	Due date (provisional)	Responsible
CAP	CAP	17th January 2023	Verna Connolly
Cabinet	Cabinet	30th January 2023	Verna Connolly
Full Council	Full Council	8th February 2023	Verna Connolly
Publish on HBC website	Published	1st April 2023	Verna Connolly

Wards Affected

Insert the list of wards affected:
N/A

Implications

Relevant project tools applied? No

Have you checked this report for plain English and readability? Yes

Climate change implications considered? Yes

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	Yes
Crime and Fear of Crime (Section 17)	No
Risk Management	No
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	Yes
Local People's Views	No
Anti-Poverty	No

Additional Information

Appendix 1 – Pay Policy Statement 2023/2024

Officer to Contact

Officer Name	Verna Connolly
Officer Email Address	vconnolly@hastings.gov.uk
Officer Telephone Number	01424 451707

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Appendix 1

Hastings Borough Council

Pay Policy Statement for the year 1 April 2023 to 31 March 2024

Introduction

1. This pay policy statement under section 38 of the Localism Act 2011 shall apply for the financial year 2023- 2024 until amended.

2. The purpose of the statement is to provide transparency regarding the Council's approach to setting the pay of its employees by identifying:
   - the methods by which remuneration of all employees are determined, including the remuneration of its most senior staff;
   - the arrangements for ensuring the provisions set out in this statement are applied consistently throughout the Council.

3. This statement applies to all employees under the following conditions of employment:

   JNC for Chief Officers of Local Authorities
   NJC for Local Government Services

4. The council defines its senior management as:
   Chief Executive
   Deputy Chief Executive
   Heads of Service
   General Managers/Professional leads who are directly accountable to a statutory or non statutory officer in respect of all or most of their duties (excluding roles which are clerical or secretarial). Such officers are invited to provide expertise in their role as head of their profession.

5. This Pay Policy will operate subject to any requirements regarding exit payments pursuant to the Enterprise and the Small Business, Enterprise and Employment Act, 2015 and associated regulations.

The Council's policies for setting remuneration

6. In determining its grading structure and setting remuneration levels for all posts, the Council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times at which those services are required.

7. With the exception of the Chief Executive, Deputy Chief Executive and Heads of Service, the Council uses the nationally negotiated pay spine as the basis for its local grading structure. The grade of a post is determined by application of an agreed Job Evaluation process. The value of scale points changes in line with national agreements, including any "cost of living" increases, the most recent of these at the time of preparation of this policy, was a flat £1925 increase effective from 1st April 2022 – negotiations for April 2023 have still not concluded.

Grade and Salary Band (from 1st April 2022) – negotiations still ongoing for April 2023 pay award

Grade	Salary Band
10	£21,575 to £22,777
9	£21,968 to £24,496
8	£23,194 to £26,845
7	£25,409 to £29,439
6	£27,852 to £32,909
5	£31,099 to £36,298
4	£34,723 to £39,493
3	£37,261 to £43,516
2	£42,503 to £48,587
1	£47,573 to £54,585

8. All other pay-related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and/or as determined by Council policy.

9. New appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate. From time to time it may be necessary to take account of the external pay market in order to attract and retain employees with particular experience, skills and capacity. Where possible, the Council will ensure the requirement for such approaches is objectively justified by reference to clear and transparent evidence of relevant market comparators, using appropriate data sources available from within and outside the local government sector.

10. There are a number of pay points within each grade. For staff not on the highest point within the band, there is a system of annual progression to the next point on the band. Faster progression is possible for posts identified and evaluated as career grades.

11. Regarding the equal pay requirements of the Equality Act 2010, the Council ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of equality proofed job evaluation mechanisms which directly relate salaries to the requirements, demands and responsibilities of the role.

Chief Officer Grade Range pay rate (officers who are JNC Chief Officers Terms and conditions of employment)

12. Chief Officer pay is £116,645 (value at 1st April 2022)

Chief Officers

13. The Council's policy and procedures regarding recruitment of Chief Officers are set out in the Officer Employment Procedure Rules in Part 4, Section 30 of the Council's Constitution. The determination of the remuneration to be offered to any newly appointed chief officer will be in accordance with this pay policy statement and other relevant policies in place at the time of recruitment. In the case of recruitment of the Chief Executive, the decision on remuneration will be taken by the Employment Committee. Any appointments at this level offering a salary in

excess of £100,000 would require approval by Full Council. Where the Council is unable to recruit to a post at the designated grade, it may consider the use of temporary market forces supplements in accordance with its relevant policies.

14. Where the Council is unable to recruit Chief Officers or Heads of Service under a contract of service, or there is a need for interim support to provide cover for a vacant Head of Service or Chief Officer post, the Council will, where necessary, consider engaging individuals under 'contracts for service'. These will be sourced through a relevant procurement process ensuring the council is able to demonstrate value for money from competition in securing the relevant service.

Additional payments

15. In addition to the basic salary for the post, staff are or may be eligible for other payments under the Council's existing policies. Some of these payments are chargeable to UK Income Tax and do not solely constitute reimbursement of expenses incurred in the fulfilment of duties:

Lease car provision, the Council no longer offers subsidised lease cars to new employees. A small number of employees remain eligible under historical contracts of employment;

Benefits allowance, employees who are not entitled to a lease car but are required to travel in order to carry out their duties may receive a benefits allowance to cover costs of travel including mileage, parking, public transport, except for journeys over 50 miles.

Reimbursement of mileage, Employees can claim mileage travelled in the course of council business. Hastings Borough Council mileage rates are paid dependant on which scheme the employee is in.
This could be:-
NJC rates which are based on the engine size, fuel type for protected employees in post prior to 27th November 2001
HMRC Company Advisory Fuel Rates for lease cars.
HMRC Approved Mileage Rates for all other employees. Passenger rate is also paid if appropriate;
Bike mileage is paid when appropriate

Professional fees. The Council will meet the cost of a legal practicing certificate for all those employees where it is a requirement of their employment; and professional body subscriptions for staff who are studying providing sponsorship has been agreed by the Council.

Long service awards. The Council allows staff to purchase a gift to a maximum amount if they have completed 25 years of service;

Honoraria, in accordance with the Council's policy on salary and grading. Generally, these may be paid only where a member of staff has performed a role at a higher grade. Deputy returning officers are paid an honorarium.

Fees for returning officer and other electoral duties, such as acting as a presiding officer of a polling station, excluding deputy returning officers. These are fees which are identified and paid separately for local government elections, elections to the UK Parliament and EU Parliament and other electoral processes such as referenda;

Pay protection, where a member of staff is placed in a new post and the grade is one grade below that of their previous post, for example as a result of a restructuring, pay protection at the level of their previous post is paid for the first 18 months;

Childcare vouchers are available to all eligible employees via the HMRC-approved salary sacrifice scheme. There is no direct subsidy towards childcare costs by the Council;

Standby and/or call-out payments, employees who are required to be on standby at times which are outside their normal working week and/or who may be called-out to attend to an issue at the Council's premises or other location may receive an additional payment in accordance with the provisions of the relevant Council policy;

Provision of mobile telephones, mobile telephones are provided to employees based on business need where they are necessary to enable them to undertake their duties effectively. The Council funds the provision of the phone and business calls.

Discounted loans, permanent employees who have satisfactorily completed their probationary period have access to discounted loans for:

- The purchase of cars/bicycles; and/or
- The purchase of season tickets for travel;

Interest is charged on Car and Bicycle loans at current PWLB (Public Works Loan Board) rates plus 1.25%. For a small number of employees employed before 27th November 2001 no interest is chargeable under historical contract of employment terms. Travel season ticket loans are interest free;

Employee assistance programme, is a 24/7 confidential support service for information and guidance on a range of work-life topics funded by the Council and made available to all staff.

Lifestyle scheme is an online benefits scheme that works with well-known retailers, both online and on the high street, to provide market-leading offers and discounts to all staff.

Performance-related pay and bonuses

16. The Council does not operate a scheme of performance-related pay or bonuses for its staff.

Lowest-paid employees

17. The Council's definition of lowest-paid employees is people employed in Grade 10 of the Council's grading structure. This is because it is the lowest pay band operated by the Council for permanent staff. Hastings Borough Council ensures its lowest paid employees are paid the current published UK Accredited Living Wage or higher.

Relationship between remuneration of chief officers and remuneration of employees who are not chief officers

18. The Council's ratio of pay at the top, to pay at the median is currently 1:4.1.
    This ratio is based on basic salary only, excluding variable pay and benefit in kind.

    Our ratio is below the recommended maximum published in Hutton's Fair Work Review (1:20)

    In comparison our neighbouring authorities most recently published pay ratios are as follows: Rother District Council: 1:5.1, East Sussex County Council: 1:6.89 and Wealden 1:4.4

Payments on termination etc.

19. The Council's approach to statutory and discretionary payments on termination of employment is set out within its Early Termination of Employment – Compensation Policy which includes the written statement in accordance with regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006. At the time of preparation of this policy statement, the policy is:
    - to pay statutory redundancy payments in accordance with the Employment Relations Act 1998, which provides for a maximum calculation of up to 30 weeks' pay, multiplied by two. The payment will be based on an employee's actual weekly salary rather than the figure set by the Government.

20. The Council's policy is normally not to make any awards under the Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011: this constitutes its written policy statement under the regulations.

21. Any large severance payments will be considered by the Employment Committee and referred to full Council for approval. Large payments would be those in excess of £95,000 including salary paid in lieu, redundancy compensation, holiday pay and any bonuses, fees or allowances paid. The basis of any exit payment is subject to a maximum salary of £80,000.

22. Employees re-employed by a relevant body, as specified in the Modification Order, within 24 months of receiving of an exit payment will be required to repay an amount of the payment.

Publication of information

23. This statement will be published on the Council's Website www.hastings.gov.uk
    In accordance with regulation 7 of the Accounts and Audit (England) Regulations 2011, for posts where the remuneration in a year is £50,000 or more, the Council's Annual Statement of Accounts will include a note setting out the total amount of - salary, fees or allowances paid to or receivable by the person in the current and previous year;
    - any sums payable by way of expenses allowance that are chargeable to UK income tax;
    - any compensation for loss of employment and any other payments connected with termination;
    - any benefits received that do not fall within the above

    The statement of accounts is available on the Council's website.

24. The Council also publishes information about remuneration of JNC Chief Officers and staff in the transparency section of its website.
    http://www.hastings.gov.uk/my_council/transparency/

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Agenda Item 7

Report To: **Cabinet**

Date of Meeting: **30th January 2023**

Report Title: **To appoint a Councillor to the Working Arrangements Group**

Report By: **Mary Kilner, Chief Legal Officer and Monitoring Officer**

Key Decision: **No**

Classification: **Open**

Purpose of Report

To agree the nomination from the Green Group to update their representation on the Working Arrangements Group.

Recommendation(s)

1. **To appoint Councillor Hilton to the Working Arrangements Group in place of Councillor Jobson**

Reasons for Recommendations

The Working Arrangements Group is a politically balance working group. Changes to representation on the group are agreed by Cabinet following nominations from Group Leaders

Introduction

1. The Working Arrangements Group is undertaking a review of the Council's governance arrangements. As part of this process Group Leaders have been asked to review their representation on the group.

2. The Green Group have requested a change in their representation, with Councillor Hilton nominated to replace Councillor Jobson.

3. Membership of internal working groups is agreed by the Cabinet following nominations from Group Leaders.

Timetable of Next Steps

4. Please include a list of key actions and the scheduled dates for these:

Action	Key milestone	Due date (provisional)	Responsible
Update committee membership	ModGov updated and lists circulated internally	31st January 2023	Democratic Services

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Wards Affected

None.

Policy Implications

Reading Ease Score: 38.2

Have you used relevant project tools?: N/A

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	N
Crime and Fear of Crime (Section 17)	N
Risk Management	N
Environmental Issues & Climate Change	N
Economic/Financial Implications	N
Human Rights Act	N
Organisational Consequences	N
Local People's Views	N
Anti-Poverty	N
Legal	N

Additional Information

Officers to Contact

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