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MID DEVON DISTRICT COUNCIL

A MEETING of the **MID DEVON DISTRICT COUNCIL** will be held in thePhoenix Chambers, Phoenix House, Tiverton on Wednesday, 8 March 2023 at 6.00 pm

ALL MEMBERS of the **COUNCIL** are summoned to attend for the purposes of transacting the business specified in the Agenda which is set out below:

[The next meeting is scheduled to be held in Tiverton on Wednesday, 26 April 2023 at 6.00 pm]

Please Note: this meeting will take place at Phoenix House and members of the Public and Press are able to attend via Zoom. If you are intending to attend in person please contact the committee clerk in advance, in order that numbers of people can be appropriately managed in physical meeting rooms.

Join the Zoom meeting here

Meeting ID: 811 0230 0711
Passcode: 130267

Join by Skype for Business
https://us06web.zoom.us/skype/81102300711

STEPHEN WALFORD
Chief Executive
28 February 2023

Members are reminded of the need to make declarations of interest prior to any discussion which may take place

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AGENDA

1 **Apologies**

To receive any apologies for absence.

2 **Public Question Time**

To receive any questions relating to items on the agenda from members of the public and replies thereto.

3 **Declarations of Interest under the Code of Conduct**

To record any interests on agenda matters.

4 **Chairman's Announcements**

To receive any announcements which the Chairman of the Council may wish to make.

5 **National Non Domestic Rates** *(Pages 5 - 12)*

Report of the Deputy Chief Executive

6 **2023/24 Capital Strategy and Capital Programme** *(Pages 13 - 34)*

Report of the Deputy Chief Executive

7 **2023/24 Treasury Management Strategy** *(Pages 35 - 68)*

Report of the Deputy Chief Executive

8 **2023/24 Budget** *(Pages 69 - 94)*

Report of the Deputy Chief Executive

9 **Revised 2023/24 Budget** *(Pages 95 - 102)*

Report of the Deputy Chief Executive

Meeting Information
From 7 May 2021, the law requires all councils to hold formal meetings in person. The Council will enable all people to continue to participate in meetings via Zoom.

If you want to ask a question or speak, email your full name to Committee@middevon.gov.uk by no later than 4pm on the day before the meeting. This will ensure that your name is on the list to speak and will help us ensure that you are not missed. Notification in this way will ensure the meeting runs as smoothly as possible.

Please note that a reasonable amount of hardcopies at the meeting will be available, however this is a limited number. If you are attending the meeting and would like a hardcopy of the agenda we encourage that you notify Member Services in advance of the meeting to ensure that a hardcopy is available. Otherwise, copies of the agenda can be found on our website.

If you would like a copy of the Agenda in another format (for example in large print) please contact Andrew Seaman on: aseaman@middevon.gov.uk

Public Wi-Fi is available in all meeting rooms.

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CABINET
7 March 2023

NNDR 1 for 2023/24

Cabinet Member: Cllr Barry Warren, Leader and Cabinet Member for Finance & Environment
Responsible Officer: Andrew Jarrett - Deputy Chief Executive (S151)

Reason for Report: To provide Members with an update of the income generation and financial implications of the number of Business Rate properties in Mid Devon and to approve the NNDR1 (estimated income to be generated in 2023/24 from business rates). There is a statutory deadline for notifying Precepting Authorities and the Government by 31 January 2023 of their appropriate shares in accordance with the Non Domestic Rating (Rates Retention) Regulations 2013 Regulation 2(b). The Government return has been submitted and Preceptors informed of the estimated income.

RECOMMENDATIONS:

1. **That the calculation of the NNDR1 net yield of £16,921,552 from 3,519 Business Rated properties is noted for 2023/24;**

2. **That the proportions distributed to the respective authorities and Central Government be allocated as per the statutory regulations; and**

3. **That Members note that Central Government will reimburse the Council through a Section 31 grant to compensate it for the reduction in collectable business rates as a result of introducing various reliefs under section 47.**

Relationship to Corporate Plan: This report sets out the estimated net business rates for 2023/24; the estimate will then be used in the calculation of future Council business rates budgets. This report is in line with the Council's Corporate Plan objectives and is essential to delivering the necessary funding to balance the 2023/24 General Fund Revenue budget.

Financial Implications: Mid Devon District Council is a Statutory Billing Authority and has a duty to carry out this task each year as part of the budgetary process. Although no resolution is required as with Council Tax Charges.

Legal Implications: This is a statutory function and is a legal requirement. The Council must set its budget annually based on the Council Tax tax base and the projected NNDR1 values.

Risk Assessment: If the Council fails to carry out this duty, then it will not be able to forecast its future budget positions. The calculation of the NNDR1 involves a number of estimates made by professional officers, but due to the volatility and uncertainty of Business Rates appeals and Central Government retention policies, the Council holds a Business Rates Smoothing Reserve which can be used to mitigate fluctuations in Business Rates receipts.

Equality Impact Assessment: No equality issues identified for this report.

Climate Change Assessment: No climate change issues identified for this report.

1. Introduction

1.1. Councils must submit a return known as the NNDR1 form to the Department for Levelling Up, Housing and Communities (DLUHC). This form provides the local tax base for business properties in the area for the forthcoming year and determines the value of income from Non-Domestic Rates between Central Government, Mid Devon District Council and the Devon and Somerset Fire & Rescue Authority. As such the NNDR1 form is a key document in the budget setting process.

1.2. The NNDR1 form must be certified by the Section 151 Officer. Councils are expected to adopt a similar approval process used for the Council Tax Base, i.e. approval by Council.

2. Business Rates Retention Scheme

2.1. Prior to 1 April 2013, all billing authorities collected the business rates in their area and passed this money onto a Central Government pool. The pool was then redistributed to local authorities throughout the country based on their needs, resources and the services they provide to their community. For example, one billing authority may collect £15m and only require £10m to run its services, whereas another billing authority may collect £10m and require £15m to run its services. The shortfall and excess was then redistributed by Central Government through a fixed sum as part of the Formula Grant Settlement.

2.2. From 1 April 2013, Central Government changed the way this financing is distributed. Each billing authority now has to forecast the amount of revenue it will generate from business rates and then redistribute that income between Central Government, the County Council, the Fire Authority and itself, based on a centrally prescribed formula (see below).

2.3. The Business Rates Retention Scheme as it is now known, also allows the billing authority to keep a share of the increase in revenue it generates, therefore encouraging billing authorities to encourage business growth in its area. However, the converse of this applies and if a billing authority’s business rates decline, the District Council (i.e. MDDC) will see a proportionate drop in revenue.

2.4. This is the key difference between the old and new schemes. As under the old business rates scheme, the level of funding was determined at the beginning of the year and was fixed thereafter, thereby protecting billing authorities.

2.5. In order to assist local authorities in retaining revenue within the counties, Central Government allowed Upper Tier Councils (Unitary and County Councils) and

Lower Tier Councils (District Councils) to join together to pool their growth and offset the growth of one area against a decline in another area. Effectively, this creates a larger critical mass across the county to alleviate exposure to individual authority losses, thus enabling Counties and Districts to retain more of the rates collected instead of contributing this money to the central pool.

2.6. Mid Devon District Council joined the Devon County-wide pool in 2014 and will remain in the pool for 2023/24 to maximise the amount of Business Rates it can retain.

2.7. This report details the calculations necessary to determine the estimated debit the Council is expected to collect in business rates for the 2023/24 year. The net collectable debit is then split proportionally in accordance with the provisions of the Local Government Finance Settlement issued in December 2020 which enables the whole of Devon to have a 50% rates retention, subject to tariffs / Top-ups and levies. The tier split for Devon is as follows:

- 9% is distributed to Devon County Council
- 40% is kept by Mid Devon District Council
- 1% is distributed to the Devon & Somerset Fire & Rescue Authority

2.8. The new 2023 Valuation list takes effect from 1st April 2023. By law rateable values need to be reviewed every 3 years, it was 5 years. Then table at 2.9 helps illustrate some of the movements in the list.

2.9.

List	**Rateable Value (RV)**
2023 Draft List Rateable Value 09/01/2023	£52,776,105
2017 List as at 04/01/2023	£46,827,209
Gross RV Increase	**£5,948,896**
% Gross RV Increase	**12.70%**

MDDC Property Estimate Gross RV	**Gross RV**
2017 List	£1,393,465
2023 List	£1,485,855
Increase	**£92,390**

Top 15 RV Movement	**Gross RV**
2017 List	£8,254,000
2023 List	**£9,040,000**
Increase	**£786,000**

3. S31 Grant Reliefs (funded reliefs)

3.1. The Government provides grants to Councils under Section 31 (S31) of the Local Government Act 2003 (LGA 2003) for a wide range of purposes. Within the Business Rates service area, S31 grants are provided to recompense the

Council for a range of reliefs such as, including the Small Business Rate Relief, Retail, Hospitality and Leisure schemes, Supporting Small Business Relief, Public Toilets and Rural Rate (50%) top up.

3.2. Part 2, line 45 (fund reliefs) of the NNDR1 is estimated to be £2,753,762, S31 will be applied to pay back the cost at MDDC share (40%). This is largely due to the Government's announcement to continue the relief available to Retail, Hospitality and Leisure businesses in 2023/24 at a rate of 75%. Other reliefs apply.

4. 2023/24 Forecast Yield

4.1. The Council is notionally able to keep 40% of the total business rates it collects and this would generate an estimated £6,768,621 (less Tariff and Levy). MDDC gets £120,580 as a cost of collecting the years' business rates and will continue to retain the estimated income from renewable energy schemes of £254,906 in 2023/24.

4.2. Prudent forecast are included for the possibility of losing income as a result of a business appealing its Rateable Value, or for non-payment of the charge.

5. Changes being introduced for 2023/24

5.1. A new Supporting Small Business Scheme is being introduced with effect from the 1st April 2023 whereby increases in charge due to loss or reduction of either Small Business Rate Relief or Rural Rate Relief will be capped at £600 annually. Those on SSBR whose 2023 rateable values are £51,000 or more will not be liable to pay the supplement (1.3p) to fund Small Business Rate relief while they are eligible for 2023 SSBR.

5.2. There will be no downward Transitional Relief for properties that have had a reduction in rateable value; they will receive the full benefit of the reduction. Additional New Burdens funding will be available to help meet the cost of undertaking the additional work.

6. Conclusion

6.1. Due to the associated volatility and significant sums of revenue involved, we will continue to maintain a Business Rates Smoothing Reserve and provide Members with regular updates on the level of business rates being collected during 2023/24.

Contact for more information: Andrew Jarrett, Deputy Chief Executive (S151)
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Dean Emery, Corporate Manager for Revenues, Benefits, Corporate Recovery, Planning (DM),

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Circulation of the Report:	Leadership Team, Cabinet
Background Papers:	NNDR1

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NATIONAL NON-DOMESTIC RATES RETURN - NNDR1
2023-24

All figures must be entered in whole £

If you are content with your answers please return this form to DLUHC as soon as possible

Ver 1.1

Local Authority : Mid Devon

PART 4: ESTIMATED COLLECTION FUND BALANCE
This section estimates the collection fund closing balance for the current year (*not* the forecast year otherwise referred to in this form). Please refer to guidance notes for details. Note that you can edit the blue-bordered cells, but you will be asked to provide a comment explaining why they are changed from the prepopulated figures.

	£	£
OPENING BALANCE		
1. Opening Balance (From Collection Fund Statement)		-4,347,784
BUSINESS RATES CREDITS AND CHARGES		
2. Business rates credited and charged to the Collection Fund in 2022-23 (enter as +ve)	14,619,476	
3. Sums written off in excess of the allowance for non-collection (enter as -ve)	-1	
4. Changes to the allowance for non-collection	-90,240	
5. Amounts charged against the provision for alteration of lists and appeals following RV list changes (enter as +ve)	181,345	
6. Changes to the provision for alteration of lists and appeals	-181,345	
7. Total business rates credits and charges (Total lines 2 to 6)		14,529,234
OTHER RATES RETENTION SCHEME CREDITS (enter as +ve)		
8. Transitional protection payments received, or to be received in 2022-23	0	
9. Transfers/payments to the Collection Fund for end-year reconciliations	0	
10. Transfers/payments into the Collection Fund in 2022-23 in respect of a previous year's deficit	4,145,706	
11. Total Other Credits (Total lines 8 to 10)		4,145,706
OTHER RATES RETENTION SCHEME CHARGES (enter as -ve)		
12. Transitional protection payments made, or to be made, in 2022-23	-15,591	
13. Payments made, or to be made, to the Secretary of State in respect of the central share in 2022-23	-7,199,343	
14 Payments made, or to be made to, major precepting authorities in respect of business rates income in 2022-23	-1,439,869	
15. Transfers made, or to be made, to the billing authority's General Fund in respect of business rates income in 2022-23	-5,759,474	
16. Transfers made, or to be made, to the billing authority's General Fund; and payments made, or to be made, to a precepting authority in respect of disregarded amounts in 2022-23	-324,656	
17. Transfers/payments from the Collection Fund for end-year reconciliations	-36,043	
18. Transfers/payments made from the Collection Fund in 2022-23 in respect of a previous year's surplus	0	
19. Total Other Charges (Total lines 12 to 18)		-14,774,976

ESTIMATED SURPLUS/(DEFICIT) ON COLLECTION FUND IN RESPECT OF FINANCIAL YEAR 2022-23 - Surplus (positive), Deficit (Negative)

	£
20. Opening balance plus total credits, less total charges (Total lines 1, 7, 11,19)	-447,820

APPORTIONMENT OF ESTIMATED SURPLUS / DEFICIT (See Note N)

	Column 1 **Central Government**	Column 2 **Mid Devon**	Column 3 **Devon County Council**
21. % for distribution of prior year surplus/deficit (i.e. 2021-22)	50%	40%	9%
22. Total prior year surplus (+)/deficit (-)	-101,039	-80,831	-18,187
of which:			
22a. Amount deferred in respect of estimated 2020-21 surplus-deficit	-190,026	-152,020	-34,205
22b. Amount in respect of 2021-22	88,987	71,189	16,018
23. % for distribution of in-year surplus/deficit (i.e. 2022-23)	50%	40%	9%
24. In year surplus (+)/deficit (-)	-122,871	-98,297	-22,117
25. Total (total lines 22 and 24)	-223,910	-179,128	-40,304

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CABINET
7 March 2023

Capital Strategy 2023/24 & Capital Programme 2023/24 – 2027/28

Cabinet Member	Cllr Barry Warren, Leader and Cabinet Member for Finance & Environment
Responsible Officer	Andrew Jarrett, Deputy Chief Executive (S151)

Reason for Report: To agree the proposed 2023/24 Capital Strategy and to seek approval of the 2023/24 Capital Programme and note the indicative Capital Programmes for 2024/25 to 2027/28.

RECOMMENDATIONS: That Cabinet recommend to Full Council:

1. **That the proposed 2023/24 Capital Strategy is approved.**
2. **To approve in principal the current estimated amounts of Slippage of £6,201k from the 2022/23 Deliverable Capital Programme and £33,231k of 2022/23 Capital Programme expenditure profiled over the life of the MTFP. This will be finalised and formal approval sought as part of 2022/23 Outturn report.**
3. **The overall Capital Programme for projects commencing in 2023/24 of £98,375k be approved and the indicative Capital Programmes across the four remaining years of this Medium Term Financial Plan covering 2024/25 to 2027/28 be noted.**
4. **To approve the 2023/24 Deliverable Budget based on the forecast spend profile of £64,826, this will include elements of amounts detailed in recommendations 2 & 3 above and will form the budget to monitor against in 2023/24, subject to any changes referred to in recommendation 2 at Outturn.**

Relationship to the Corporate Plan: A strategic approach to Asset Management supports our Corporate Plan priorities of business retention, growth and development. Maximising our return from all associated treasury activities enables the Council to support current levels of spending in accordance with our Corporate Plan. The Capital Programme identifies the capital investment proposed across all strands of the Corporate Plan over the next five years.

Financial Implications: Good financial management and administration underpins the entire strategy. The Capital Strategy sets the boundaries in which the Council's capital and treasury management functions operate. The Capital Programme submitted for 2023/24 of £98,375k is fully funded. It does, however, include £46,170k of anticipated PWLB borrowing to fund various projects. Future capital receipts are now estimated at such a low level that the Council needs to continually evaluate ways of making additional provision to fund its long-term capital programme or reduce its property portfolio. This is especially relevant due to the uncertainty around the future of New Homes Bonus and its availability as an income stream going forward.

Legal Implications: Authorities are required by regulation to prepare a Capital Strategy for each financial year that needs to be approved by Full Council prior to the start of the financial year. Authorities must also have regard to the Prudential Code when carrying out their duties under Part 1 of the Local Government Act 2003.

Risk Assessment: The S151 Officer is responsible for the administration of the financial affairs of the Council. A co-ordinated approach to Asset Management and Financial Planning will help mitigate the risks associated with holding and utilising assets. Financial risk is mitigated by sound Treasury Management practices and defined limits. There is a risk of clawback of external funds if sums received are not spent in accordance with the terms on which they were given, or not within agreed timescales. New Capital Receipts for 2023/24 have been projected at a prudent level of £1,324k but there is a risk that if these do not materialise, the Authority may need to delay scheme start dates to the following financial year or identify an alternative funding mechanism to ensure full programme delivery. Other risks, such as cashflow management are managed through the operation of the Treasury Management Strategy.

Equality Impact Assessment: Each of the capital investments will be, where appropriate, subject to an impact assessment. This is done with a view to identifying possible actions to mitigate negative impacts. However, many of the proposals do not have a direct impact on the public and therefore do not require an Impact Assessment.

Impact on Climate Change: The Council has committed to a net zero carbon policy by 2030. Any major asset replacements/upgrades will consider the environmental impact in relation to carbon footprint.

The Capital Strategy 2023/24

1. Introduction

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

1.2. The strategy is designed to be a user-friendly document, which can direct stakeholders to the relevant documents relating to Treasury decisions, Asset Management and the Capital Programme for the coming years. It provides a link between these activities and reiterates the need for these to be co-ordinated to support the objectives of the Corporate Plan.

1.3. This strategy brings together the statutory requirements of the Chartered Institute of Public Finance Accountants (CIPFA) and the CIPFA Prudential Code for Capital Finance in Local Authorities. There is also a strong link with the Treasury Management Strategy that provides a framework for the borrowing and lending activity of the Council.

1.4. The Capital Strategy needs to be relevant in the current financial and economic climate and therefore needs a cautious and measured, yet flexible, approach that reflects the fact that:

- The impact on the Revenue Budget arising from the Capital Investment Programme must be affordable and sustainable, and be used to aid the bottom line;
- Capital resources available to the Council are limited, with little direct funding provided from Government and currently limited scope to raise income from Capital Receipts;
- Local Government's range of responsibility is constantly changing along with the role that it plays within the community, leading to an expectation that Society will assist in the delivery of services.

1.5. The Council is required, by regulation, to publish a number of indicators relating to the Capital Investment Programme, Treasury Management and the revenue implications of the programme, known as the Prudential Indicators. This report, along with the Treasury Management Strategy, publishes those indicators, based on the assumption that Cabinet / Council will approve the proposals contained within the Revenue Budget and Capital Programme.

2. Strategic Aims

2.1. The key objective of the Capital Strategy is to deliver a Capital Programme that:

- Ensures that the Council has assets that are fit for purpose and enable the delivery of the priorities set out in the Corporate Plan;
- Supports the Council's service specific plans and strategies;
- Facilitates income generation that aids the Revenue Budget;
- Is affordable, financially prudent and sustainable.

This should not however prevent the authority from:

- Reducing the on-going liability of holding assets by engaging with communities to develop alternative service delivery options including asset transfer;
- Fully utilising resource opportunities available for Capital Investment from outside sources where this does not create ongoing revenue liabilities or commitments that cannot be met.

3. Priorities

3.1. The Council's priority areas for investment can be summarised as:

3.1.1 **Asset replacement and/or enhancement**: The services delivered by the Council depend upon a variety of assets such as Plant, Property and Equipment (PPE) or vehicles. These need to be updated/upgraded on a regular basis to ensure service delivery is maintained or enhanced. Asset maintenance is a revenue cost; the purchase or enhancement is a capital cost.

3.1.2 **Income Generation:** The Council is looking to identify investments that generate an income to replace the lost grant funding and ease the pressure on the Revenue Budget. Specific projects / investment opportunities will be brought forward for approval by the Cabinet as they are identified.

3.1.3 **Economic Regeneration:** The Council is committed to investing in the District's future through regeneration projects. Any schemes will need to be self-financing so that borrowing costs are covered by either Grant, investment income or capital receipts leaving no ongoing impact on the Council's Revenue Budget.

3.1.4 **Invest to save**: The Council is always looking for opportunities to deliver future efficiencies in service provision, known as 'Invest to Save'. This could include investment in technology or processes. The "green" investments are a good example of this, where investment in more efficient heating systems reduces the ongoing cost of energy consumption.

3.1.5 **Health and Wellbeing:** The Council's receives the Disabled Facilities scheme, which pays for essential housing adaptations to help disabled people stay in their own homes. In the current climate, it is also important that the Council plays a wider role in the health and wellbeing of its local community.

4. Capital Expenditure and Financing

4.1. Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In Local Government, this includes spending on assets owned by other bodies, or loans and grants to other bodies enabling them to buy/build assets. The Council has limited discretion on what counts as capital expenditure, for example assets costing below £20k are deemed deminimis and are not capitalised but are instead charged to revenue in-year.

4.2. The detail of our approach to capitalisation is shown in our Accounting Policies in the Statement of Accounts that are produced each year. The Audit Committee have approved the latest draft Accounts subject to some minor outstanding queries. The Accounts for the year 2021/22 can be found here:

https://www.middevon.gov.uk/your-council/finance/annual-accounts/

4.3. Service managers bid annually to include projects in the Council's Capital Programme. Bids are collated by Finance who calculate the financing cost (which can be nil if the project is fully externally financed). The relevant PDGs consider the Capital Programme and the funding thereof and can make recommendations to Cabinet and are able to. The final Capital Programme is then presented to Cabinet in February who recommend it to Full Council for approval the same month each year.

4.4. In 2023/24, the Council is requesting approval of new capital expenditure of £98,375k for projects due to start in 2023/24 as well as estimated £39,432k of expenditure approved in prior years that has slipped in timescale or was planned for future years. These projects have an expenditure profile within 2023/24 of £64,826k which forms the Deliverable Budget for the year (as detailed in Appendices 1 & 2). It can be summarised as follows:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

Capital Expenditure £000	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
General Fund Projects	3,836	5,224	17,084	23,992	2,855
HRA Projects[1]	4,196	7,446	21,634	32,574	26,705
Loans to Subsidiary Company*	3,591	9,282	26,108	11,162	14,138
Total	**11,623**	**21,952**	**64,826**	**67,728**	**43,698**

*This figure is gross loans and excludes repayments and working capital loans (which are treated as Revenue)

4.5. A summary of the projects included in the 2023/24 Capital Programme are included in paragraphs 11.5 and 11.7 below.

4.6. All capital expenditure must be financed, whether from external sources (Government grants and other contributions), the Council's own resources (Revenue, Reserves and Capital Receipts) or Debt (Borrowing, Leasing and Private Finance Initiative).

4.7. Borrowing may be internal or external:

4.7.1. **Internal borrowing** uses the cash balances of the Council. Currently, these balances yield small returns on the investment market and is therefore cheaper than the interest rate payable on an external loan and so is maximised as far as possible. This has been a significant funding source in recent years.

4.7.2. **External borrowing** is via loans. Within Local Government, the main provider for long-term borrowing has traditionally been the Public Works Loan Board [PWLB]. However, the Council also uses other organisations, such as other Local Authorities for shorter-term cash flow requirements.

4.8. An increasing number of assets are leased, such as the new vehicles within our fleet. These are normally taken through Finance Leases where the asset remains owned by the finance company, but the Council rents them.

[1] The Housing Revenue Account (HRA) is a ring-fenced account, which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately.

4.9. The planned financing of the expenditure in Table 1 above is as follows:

Table 2: Capital financing

Financing of Capital Expenditure £000	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital receipts	1,484	1,190	1,575	2,426	1,587
Capital grants	1,367	4,934	15,023	29,652	11,016
Capital reserves	0	0	0	0	0
Revenue Contributions	2,889	4,733	4,934	5,661	2,927
Borrowing	5,883	11,095	43,294	29,989	28,168
Total	**11,623**	**21,952**	**64,826**	**67,728**	**43,698**

4.10. Debt is only a temporary source of finance, as loans and leases must be repaid and is therefore replaced over time by other financing, usually from revenue, which is known as Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (known as Capital Receipts) may be used to replace debt finance.

4.11. The Council's full Minimum Revenue Provision / loans fund repayments statement is shown in Appendix 1 of the Treasury Management Strategy Statement. This strategy is also included elsewhere on the meeting agenda. Planned MRP is as follows:

Table 3: Planned MRP payments

Planned MRP Payments £000	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
General Fund	671	689	703	898	970
Housing Revenue Account	962	976	1,010	1,196	1,309
Total	**1,633**	**1,665**	**1,713**	**2,094**	**2,279**

4.12. The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP / loan repayments and capital receipts used to replace debt. The CFR is expected to increase by £25,814k during 2023/24. This increase mainly consists of £10,114k relating to projects undertaken by 3 Rivers Developments Ltd, £4,315k relating to General Fund projects associated with the Cullompton Relief Road and strategic land acquisition and £9,884k relating to other HRA projects. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement

Capital Financing Requirement £000	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
General Fund Services	10,162	9,877	14,223	19,411	18,856
Council Housing (HRA)	39,603	40,580	51,934	64,400	76,626
Loans to Subsidiary Company*	11,363	20,522	30,636	15,622	14,138
Total CFR	**61,128**	**70,979**	**96,793**	**99,433**	**109,620**

** Loans to Subsidiary Company investments relate to capital expenditure on housing developments and investment properties.*

This table is cumulative including existing and future borrowing. This is reduced as and when repayments are scheduled.

4.13. At present, the Council does not charge MRP on it loans to 3 Rivers. This is because it funds assets that are under construction – to which MRP does not apply. Once the assets are complete and MRP would normally become chargeable, they are sold by 3 Rivers and the loan is repaid. However, CIPFA previously consulted on this matter to enforce MRP to be applicable on loans to third parties, despite the regulations around "assets under construction". As yet, no formal outcome of the consultation had been announced, therefore if formally implemented, it is assumed this will apply from 2024/25 at the earliest.

5. Treasury Management

5.1. Treasury Management is concerned with keeping sufficient, but not excessive cash, available to meet the Council's spending needs, while managing the risks involved. To avoid excessive credit balances or overdrafts in the bank current account, surplus cash is invested until required while a shortage of cash will be met by borrowing. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

5.2. Due to decisions taken in the past, at 31 March 2023 the Council is forecast to have £33,310k of borrowing (excluding finance leases) at an average interest rate of 2.91% and £20,000k treasury investments earning interest at an average rate of 3.63%.

5.3. **Borrowing strategy:** The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in the future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (up to 1 year, mainly through other Local Authorities - currently available at around 4%) and long-term fixed rate loans where the future cost is known but higher (currently around 4.5% from PWLB[2]).

[2] As at the time of drafting this report – 26 January 2023

5.4. Projected levels of the Council's total outstanding debt (which comprises borrowing and leases) are shown below, compared with the Capital Financing Requirement.

Table 5: Prudential Indicator: Gross Debt and the Capital Financing Requirement

Gross Debt and The Capital Financing Requirement	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**
£000	**Actual**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Debt (including Leases)	37,423	35,625	45,910	50,222	59,656
Capital Financing Requirement (CFR)	61,128	70,979	96,793	99,433	109,620

5.5. Statutory guidance is that Debt should remain below the Capital Financing Requirement, except in the short-term. As can be seen from table 5, the Council expects to comply with this in 2023/24 through to 2025/26.

5.6. **Affordable borrowing limit:** The Council is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower "Operational Boundary" is also set as a warning level should debt approach the limit. Further details on borrowing are included with the Treasury Management Strategy, which is also included elsewhere on the meeting agenda.

Table 6: Prudential Indicators: Authorised Limit and Operational Boundary for external debt

Authorised Limit and Operational Boundary for External Debt	**2022/23**	**2023/24**	**2024/25**	**2025/26**
£000	**Limit**	**Limit**	**Limit**	**Limit**
Authorised Limit	81,000	107,000	110,000	119,000
Operational Boundary	72,000	98,000	101,000	110,000

5.7. **Investment strategy:** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of Treasury Management.

5.8. The Council's policy on treasury investments is to prioritise Security and Liquidity over Yield (SLY Principle), to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the Government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Further details on treasury investments is included within the Treasury Management Strategy, but can be summarised as follows[3]:

Table 7: Treasury Management investments

Treasury Management Investments £000	2021/22 Actual	2022/23 Estimate	2023/24 Estimate
Short-Term Investments	36,832	20,000	10,000
Long-Term Investments	5,000	5,000	5,000
Total	**41,832**	**25,000**	**15,000**

5.9. **Governance:** Decisions on Treasury Management investment and borrowing are made daily and are therefore delegated to the S151 (Deputy Chief Executive) and finance staff, who must act in line with the Treasury Management Strategy approved by Full Council annually. Reports on Treasury Management activity are presented to Cabinet three times per year.

6. Investments for Commercial and Economic Development Purposes

6.1. The Council makes investments to assist local public services, including making loans to other public sector bodies to promote economic development and provide an income stream. In light of the public service objective, the Council is willing to take more risk than with other treasury investments; however it is still a requirement for such investments to generate a profit after all costs, and after conducting all appropriate due diligence.

6.2. For example, during 2021/22, the Council facilitated a loan to fund a GP Surgery/NHS Hub in Crediton. Not only will this provide the Council with a return on its loan, it will also provide an important, modern NHS Hub in Crediton, replacing two existing GP Surgeries and offering further NHS services to the public.

6.3. The principal risk exposures include the timing of debt repayments; development market values; development costs and profitability of the subsidiary. These risks are managed by due diligence of business cases. Although there is no cap on the level of lending between the Authority and the subsidiary, advance approval of the level of lending is required from Cabinet before the start of each financial year, with reference to the company's Annual Business Plan.

6.4. With Central Government financial support for local public services declining and the tightening of regulations within the Prudential Code that prohibits the Council from investing primarily for financial return, the options for the Council to invest in Commercial and for Economic Development purposes is limited. However, it is able to lend to its subsidiary 3 Rivers Developments Ltd to

[3] As at the 31 March of the appropriate year

develop land and commercial income generating projects and charge interest on loans at a commercial rate.

6.5. The Council also has commercial activities in retail properties, which expose it to normal commercial risks. The over-arching ethos behind these activities is economic regeneration and retention of premises within the town centre rather than the income stream.

6.6. **Governance:** Decisions on commercial investments are made by the S151 (Deputy Chief Executive) in conjunction with the Leadership Team, in line with the criteria and limits approved by Council in the Treasury Management Strategy Statement (TMSS). Property and most other commercial investments are also capital expenditure and asset purchases will therefore also be approved alongside the capital programme.

7. Asset Management

7.1. In order to ensure the Council is allocating its resources in the most effective way, an Asset Management Plan (AMP) is maintained. It outlines where capital investment can assist the Council achieve its goals or where investment and use of resources plays a contributing role to shared priorities. Therefore the AMP helps set out the Council's approach to the Strategic Management of its land and building assets. It has been developed in consultation with the Senior Officers and Members of the Council who form the Capital Strategy Asset Management Group (CSAG). The AMP seeks to ensure that assets are used in the most effective and efficient way to support the delivery of the Corporate Plan.

7.2. The latest version of the AMP was considered and approved by Cabinet on 4 March 2021. It can be found here:

https://www.middevon.gov.uk/media/353719/supplement-revised-format-for-asset-management-and-capital-strategy-plan-04032021-v1.pdf

7.3. The AMP enables the Council to consider the best use of its assets by identifying those that require investment in planned maintenance; those that it should consider disposal of, those that could generate additional income from leasing out etc. These considerations will then inform the Capital Programme and funding decisions.

7.4. **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as Capital Receipts, can be spent on new assets or to repay debt. The Council expects to receive £1,324k of Capital Receipts in 2023/24 (net of Government Pooling); these are associated with the sale of Council Houses through the 'Right to Buy' scheme. Capital Receipts are summarised in the table below:

Table 8: Capital Receipts

Capital Receipts £000	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Asset Sales	2,519	1,163	1,324	1,324	1,324

8. Liabilities

8.1. In addition to debt of £45,910k in 2023/24 detailed in Table 5 above, the Council is committed to making future payments to cover its pension fund deficit (valued at £69,572k in 2021/22).

8.2. **Governance:** The risk of liabilities crystallising and requiring payment is monitored by Finance and Legal. Any new material liabilities would be reported to Full Council for approval/notification as appropriate.

9. Revenue Budget Implications

9.1. Although capital expenditure is not charged directly to the Revenue Budget, interest payable on loans and Minimum Revenue Provision (MRP) are charged to revenue, offset by any investment income receivable. The net annual charge is known as Capital Financing Costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, Business Rates and general Government Grants.

Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream

Proportion of Financing Costs to Net Revenue Stream %	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
General Fund	0.95%	-3.55%	-4.89%	-3.14%	-3.45%
Housing Revenue Account	15.06%	12.56%	12.59%	15.63%	17.16%

*Further details on the revenue implications of capital expenditure are found in the Revenue Budget report.

9.2. **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the Revenue Budget implications of capital expenditure incurred in the next few years will extend for up to 50 years into the future. The S151 (Deputy Chief Executive) is satisfied that the Council has adequate means of financing and repaying any required borrowing and therefore the proposed Capital Programme is prudent, affordable and sustainable. .

10. Knowledge and Skills

10.1. The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the S151 (Deputy Chief Executive) is a qualified accountant with 18 years' of experience and the Corporate Manager for Property, Leisure and Climate Change is experienced across the full range of Property responsibilities. In addition, the Council employs ten finance staff who hold one or more of the following qualifications CIPFA, ACA, CIMA, ACCA and AAT.

10.2. To support those staff, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Link Group as treasury management advisers and Ichabod Industries as technical advisers on accountancy matters. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

The Capital Programme 2023/24 and Capital Medium Term Financial Plan (CMTFP)

11. The Capital Programme 2023/24

11.1. The 2023/24 programme includes significant new investment into Council House building projects and future years indicative programmes include 'spend to save' projects improving the energy efficiency of our property estate that will only be undertaken if the Council is successful in securing sufficient external funding and is accompanied by a robust business case that demonstrates an acceptable payback.

11.2. There is also projected slippage detailed on the appendices from 2022/23, relating to the 2022/23 Deliverable Programme currently estimated to be £6,201k that will roll into the 2023/24 Capital Programme. In addition there is £33,231k within the 2022/23 Capital Programme with spend profiled over future years. Both these are detailed in recommendation 2 and are estimates at this stage. The approval of final figures will be sought as part of the Outturn Report to either add to the 2023/24 Capital Programme or relevant year of the CMTFP.

11.3. Full project approval is now requested at project inception, for 2023/24 this amounts to £98,375k. This is then profiled by spending managers as their best estimate of when spending will take place to form the Deliverable Budget of £64,826k. This gives a better indication of what is deliverable each year and will better inform our Treasury Management activities.

11.4. **Appendix 1** shows the proposed 2023/24 Capital Programme, which totals £98,375k. The Deliverable Budget includes the proportion of expected spend within the 2023/24 Capital Programme and the estimated slippage and profiled spend of the 2022/23 Capital Budget forecast to be spent in 2023/24. This is the value that will be monitored against in-year.

11.5. **Appendix 2** shows the detailed schemes in the General Fund and the HRA that reflect the spending aspirations summarised in **Appendix 1** and the table below:

Table 10: 2023/24 Capital Programme (based on project inception)

General Fund Projects	**Expenditure 2023/24 £000's**
Leisure Schemes	622
Leisure - Climate Change/Net Zero	396
Phoenix House	133
Cullompton Relief Road	18,030
Private Sector Housing	525
ICT Projects	460
Other General Fund Development Projects	12,196
General Fund Subtotals	**32,362**
HRA Projects	**Expenditure 2023/24 £000's**
Existing Housing Stock	2,990
Housing Schemes (1:4:1 Projects)	5,066
Housing Development Schemes (HE)	42,200
Other HRA Projects	15,757
HRA Subtotals	**66,013**
Grand Totals	**98,375**

11.6. **Appendices 1 and 2** also show the updated indicative Capital Programme for the remaining years within this CMTFP, refreshed with up to date information on expenditure and funding. These projections are likely to alter, as we get closer to those years as greater information becomes available. Therefore, only the Capital Programme for 2023/24 is proposed for approval; the indicative future years are only for information and noting.

11.7. General Fund Investment.

11.7.1. Within the investment in our Leisure Service, there are a number of projects ranging from investment in new equipment to maintain a competitive service offering; together with improvement to disabled toilet facilities that is reliant on external grant. A spend to save project is also included to improve self-service access for the customer and reduce future staffing requirements. There is also a project at Culm Valley Sports Centre that will help the Council deliver its commitment to climate change and reducing carbon emissions. It is anticipated that external funding will assist with the funding of this bid, with a contribution also from MDDC.

11.7.2. There is an assumption included in respect of the Cullompton Relief Road. Currently, funding has been secured to cover the initial projected estimated cost of this project. However, costs have dramatically increased since that funding was received. Therefore, the Council submitted a bid to the Levelling Up Fund to cover the forecast difference for the Cullompton project. This bid was rejected on 19/01/23 and currently other forms of funding are actively being sought to enable this project to be delivered.

11.7.3. Further investment within our ICT assets is required to enable the Council to update its infrastructure, including upgrading servers and audio-visual equipment within Phoenix House. In addition, the planned refresh of staff laptops and associated devices will continue. This will be completed in a phased roll out to ensure that the cost is spread over a number of years.

11.7.4. As in previous years, the Disabled Facilities Grant funding will be used to improve homes across the district that will enable residents with health problems to remain in their homes, therefore avoiding or delaying the need for them to enter the health care system.

11.7.5. The Capital Programme for 2023/24 includes further 3 Rivers Projects in line with their draft Business Plan. This is in addition to the slippage to projects approved in prior years. Cabinet will give further consideration to the Business Plan after this report has been published.

11.8. Housing Revenue Account Investment

11.8.1. A number of projects to enhance the quality of our existing housing stock (a programme of £2,990k) are undertaken each year through the planned maintenance scheme. In 2023/24, provision has been made to invest in garage refurbishments, replace roofing, windows and doors in properties where required, along with general modernisation works, including updating heating systems.

11.8.2. Significant new investment of £47,266k is planned to deliver new housing within the district predominantly through highly efficient (zero carbon) modular buildings. To fund the proposed Housing Development Schemes, a prudent assumption has been included for the utilisation of 1-4-1 receipts or for additional grant funding to be made available from Homes England and One Public Estate Funding; although a substantial element of the cost remains with the Council. In total, £21,624k is assumed to be secured from 1-4-1 receipts or external grant funding, leaving £23,718k to be funded by borrowing and the remaining £1,924k from existing reserves. The investment in Other HRA projects includes the development of Post Hill in Tiverton.

11.9. A significant amount of work was undertaken when producing the Council's Capital Medium Term Financial Plan (CMTFP) during the year, which helped to scope the size and funding of the 2023/24 Capital Programme. A number of subsequent meetings were held with Corporate Managers, which focused on the essential projects (in terms of end of life asset replacement or health and safety) and involved reprioritising or rescheduling expenditure to future years

12. Funding the Capital Programme

12.1. The 2023/24 Capital Programme is fully funded by a combination of:

Table 11: 2023/24 Capital Programme Funding (based on project inception)

General Fund Projects - Funding Sources	Funding 2023/24 £000's
Funding from Revenue EMR's	465
Funding from Government Grants	18,973
Usable Capital Receipts	229
Borrowing	12,695
General Fund Subtotals	**32,362**
HRA Projects - Funding Sources	**Funding 2023/24 £000's**
S106 (Revenue) Contributions	1,000
MRA Reserve	2,435
Funding from Revenue EMR's	475
Funding from Government Grants	26,005
Usable Capital Receipts	1,004
UCR 1:4:1 Replacement Homes	1,619
Borrowing	33,475
HRA Subtotals	**66,013**
Grand Totals	**98,375**

12.2. The projected level of usable capital receipts (this includes unringfenced useable capital receipts and capital receipts ringfenced for 1:4:1 replacement homes) available for 2023/24 is £1,324k. All other previously generated capital receipts have been used to balance the subsequent years of the MTFP. This only enables a small number of Council funded schemes to be incorporated into the Capital Programme. The figures assumed for receipts from the sale of assets have been calculated prudently and therefore if any additional receipts are generated, the Council could reduce the need for external borrowing, or return to some of the projects which could not be funded in the first instance and consider their inclusion. Any decision to increase the Capital Programme (subject to constraints within the financial rules) would require Full Council approval and be linked to the Corporate Plan priorities.

12.3. The Government Pooling arrangements mean a proportion of the Council House sale proceeds are pooled to the Government; a proportion is retained in a ring-fenced reserve for replacement house building (linked to the HRA self-financing arrangements that have been in place since 01/04/12). The balance is retained by the Authority as a useable capital receipt, which can be used to support our Capital Programme.

12.4. The programme of £2,990k identified to maintain our existing council house stock will be funded mainly from the Major Repairs Reserve (MMR). The balance of available monies will remain in the MMR in order to deal with future additional spend that has been identified by the stock condition survey.

12.5. The Council continues to set aside sinking funds for future asset maintenance, replacement of Leisure plant and equipment and for future replacement of ICT systems and equipment. This ensures the Revenue base budget is more robust. However, given the pressure on its finances, the Council will need to assess whether this remains affordable, or whether alternative options should be explored.

13. Council Borrowing

13.1. Prudential borrowing has been estimated for 2023/24 at £46,170k, this will be used to fund General Fund schemes amounting to £12,695k and HRA schemes amounting to £33,475k. All schemes will be subject to a rigorous business case assessment; their cost and timing of spend will determine the amount of actual prudential borrowing required. The use of internal borrowing will be applied wherever possible.

13.2. New Borrowing is also envisaged across the remainder of this MTFP i.e. 2024-25 to 2027-28 amounting to £56,217k (excluding those projects being rolled forward from the already approved 2022/23 Capital Programme); of this £47,645k will be used to deliver General Fund projects and £8,572k to deliver HRA projects.

13.3. Borrowing will be supported or supplemented with short and medium term Treasury Management decisions based on prevailing and future interest rates and will only be considered in exceptional circumstances. This is in relation to the projects detailed above or for spend to save projects following a robust cost/benefit analysis exercise that would be able to demonstrate both an acceptable ’payback period’ and that savings would be generated in excess of the annual revenue cost of servicing the debt.

14. Conclusion

14.1. As previously mentioned, the Capital Programme for the next five years is limited due to the scarce availability of funding (with the exception of borrowing). It is, therefore, imperative that capital funds are only spent on those projects that enable the Council to deliver its Corporate Plan objectives, reduce operational cost, or generate a financial return.

14.2. The Capital Programme encompasses a broad range of expenditure including operational assets, which will be used for more than one year; assets owned by other bodies, or loans and grants to other bodies enabling them to buy/build assets.

14.3. Funding for this programme includes significant borrowing. The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken, and the type of borrowing should allow the Council transparency and control over its debt.

14.4. The Treasury Management Strategy Statement details the approach that the Council will take in ensuring it has sufficient cash available to meet the Council's spending needs. Reports on 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, will be taken to Full Council via the Cabinet.

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Circulation of the Report Leadership Team, Cabinet

Background Papers: November and January Cabinet and PDG's (MTFP, Budget Draft and Budget Update reports) and Capital Bid Submissions

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Appendix 1

Capital Expenditure Summary		To be rolled f/wd from 22/23		Total Project Costs for Approval							Spend Profile						
Area	**Sub Area**	**Forecast Slippage from 22/23 to be C/fwd to 2023/24 £000's**	**Forecast Budget from 22/23 to be spent over life of MTFP £000's**	**2023/24 £000's**	**2024/25 £000's**	**2025/26 £000's**	**2026/27 £000's**	**2027/28 £000's**	**Total £000's**	**Grand Total £000's**	**2023/24 £000's**	**2024/25 £000's**	**2025/26 £000's**	**2026/27 £000's**	**2027/28 £000's**	**Beyond 2028/29 £000's**	**Total £000's**
Leisure	Exe Valley Leisure Centre	-	-	83	250	-	-	-	**333**	**333**	83	250	-	-	-	-	**333**
Leisure	Lords Meadow Leisure Centre	40	80	243	-	-	200	-	**443**	**563**	363	-	-	200	-	-	**563**
Leisure	Culm Valley Sports Centre	-	404	96	360	-	-	-	**456**	**860**	96	764	-	-	-	-	**860**
Leisure	Leisure - Other	-	-	200	-	-	-	-	**200**	**200**	200	-	-	-	-	-	**200**
Leisure	Leisure - Climate Change/Net Zero	-	-	396	-	260	400	-	**1,056**	**1,056**	396	-	260	400	-	-	**1,056**
Other MDDC Buildings	Other - Climate Change/Net Zero	10	1,200	-	815	-	240	-	**1,055**	**2,265**	10	2,015	-	240	-	-	**2,265**
Other MDDC Buildings	Phoenix House	20	30	133	-	150	-	-	**283**	**333**	183	-	150	-	-	-	**333**
Other MDDC Buildings	MDDC Depots	-	1,250	-	3,500	-	-	-	**3,500**	**4,750**	1,000	3,750	-	-	-	-	**4,750**
Other MDDC Buildings	MDDC Shops/Industrial Units	150	537	-	-	-	-	-	**-**	**687**	257	430	-	-	-	-	**687**
Other MDDC Buildings	Public Conveniences	-	-	-	285	-	-	-	**285**	**285**	-	100	185	-	-	-	**285**
HIF	HIF Schemes	3,608	8,008	18,030	-	-	-	-	**18,030**	**29,646**	13,105	15,041	1,500	-	-	-	**29,646**
Private Sector Housing	Private Sector Housing	-	-	525	550	575	600	625	**2,875**	**2,875**	525	550	575	600	625	-	**2,875**
Other	General Car Parks	20	60	-	-	-	-	-	**-**	**80**	80	-	-	-	-	-	**80**
Other	Parks & Play Areas	35	-	-	-	-	-	-	**-**	**35**	35	-	-	-	-	-	**35**
Other	ICT Projects	184	-	460	150	185	160	540	**1,495**	**1,679**	644	150	185	160	540	-	**1,679**
Other	Other Projects	40	179	-	830	-	-	-	**830**	**1,049**	107	942	-	-	-	-	**1,049**
Other GF Development Projects	Other General Fund Development Projects	1,116	12,796	12,196	11,162	14,138	9,304	7,953	**54,753**	**68,665**	26,108	11,162	14,138	9,304	7,953	-	**68,665**
General Fund Subtotals		**5,223**	**24,544**	**32,362**	**17,902**	**15,308**	**10,904**	**9,118**	**85,594**	**115,361**	**43,192**	**35,154**	**16,993**	**10,904**	**9,118**	**-**	**115,361**
HRA Projects	Existing Housing Stock	175	-	2,990	3,035	2,860	2,885	2,770	**14,540**	**14,715**	3,165	3,035	2,860	2,885	2,770	-	**14,715**
HRA Projects	Housing Schemes (1:4:1 Projects)	35	271	5,066	1,700	2,500	400	-	**9,666**	**9,972**	2,429	3,113	1,780	2,290	360	-	**9,972**
HRA Projects	Housing Development Schemes (HE)	393	4,073	42,200	4,400	10,700	-	-	**57,300**	**61,766**	13,226	17,720	13,110	17,710	-	-	**61,766**
HRA Projects	Other HRA Projects	375	4,343	15,757	-	-	-	-	**15,757**	**20,475**	2,814	8,706	8,955	-	-	-	**20,475**
HRA Subtotals		**978**	**8,687**	**66,013**	**9,135**	**16,060**	**3,285**	**2,770**	**97,263**	**106,928**	**21,634**	**32,574**	**26,705**	**22,885**	**3,130**	**-**	**106,928**
Grand Totals		**6,201**	**33,231**	**98,375**	**27,037**	**31,368**	**14,189**	**11,888**	**182,857**	**222,289**	**64,826**	**67,728**	**43,698**	**33,789**	**12,248**	**-**	**222,289**

Capital Funding Summary		To be rolled f/wd from 22/23		Total Funding							Funding Profile						
Funding Type	Funding Description	Forecast Slippage from 22/23 to be C/fwd to 2023/24 £000's	Forecast Budget from 22/23 to be spent over life of MTFP £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's	Total £000's	Grand Total £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's	Beyond 2028/29 £000's	Total £000's
Revenue	RCCO - From Revenue EMR's - Other	-	67	-	-	-	-	-	**-**	**67**	67	-	-	-	-	-	**67**
Revenue	RCCO - From Revenue EMR's - Econ Development	10	60	-	-	-	-	-	**-**	**70**	10	60	-	-	-	-	**70**
Revenue	RCCO - From Revenue EMR's - ICT	110	-	435	-	25	-	30	**490**	**600**	545	-	25	-	30	-	**600**
Revenue	RCCO - From Revenue EMR's - Capital	40	50	30	30	-	-	-	**60**	**150**	72	78	-	-	-	-	**150**
Revenue	RCCO - From Revenue EMR's - Waste Infrastructure EMR	-	250	-	1,000	-	-	-	**1,000**	**1,250**	-	1,250	-	-	-	-	**1,250**
Revenue	New Homes Bonus	211	782	-	-	-	-	-	**-**	**993**	338	655	-	-	-	-	**993**
Capital Grants	Capital Grants Unapplied - DCC	20	-	-	215	-	-	-	**215**	**235**	20	215	-	-	-	-	**235**
Capital Grants	Govt Grant (DCLG passported from DCC)	-	-	525	550	575	600	625	**2,875**	**2,875**	525	550	575	600	625	-	**2,875**
Capital Grants	DCC Funding - HIF Project	-	153	1,347	-	-	-	-	**1,347**	**1,500**	153	-	1,347	-	-	-	**1,500**
Capital Grants	Salix Round 3b Funding	-	-	265	-	-	-	-	**265**	**265**	265	-	-	-	-	-	**265**
Capital Grants	HIF Funding	1,712	-	5,144	-	-	-	-	**5,144**	**6,856**	3,201	3,655	-	-	-	-	**6,856**
Capital Grants	Govt Grants - Levelling - up Funding	1,896	4,540	11,539	-	-	-	-	**11,539**	**17,975**	6,436	11,386	153	-	-	-	**17,975**
Capital Grants	Salix Funding or Equivalent	-	-	-	815	260	640	-	**1,715**	**1,715**	-	815	260	640	-	-	**1,715**
Capital Grants	DLUHC - Changing Places Fund bid	-	-	153	-	-	-	-	**153**	**153**	153	-	-	-	-	-	**153**
Capital Receipts	Usable Capital Receipts	108	83	229	150	-	72	-	**451**	**642**	407	163	-	72	-	-	**642**
Borrowing	Borrowing 3 Yrs	1,116	12,796	12,221	11,462	14,298	9,464	8,463	**55,908**	**69,820**	26,133	11,462	14,298	9,464	8,463	-	**69,820**
Borrowing	Borrowing 5 Yrs	-	-	103	-	150	-	-	**253**	**253**	103	-	150	-	-	-	**253**
Borrowing	Borrowing 10 Yrs	-	3,315	371	895	-	128	-	**1,394**	**4,709**	3,686	895	-	128	-	-	**4,709**
Borrowing	Borrowing 25 Yrs	-	1,448	-	-	-	-	-	**-**	**1,448**	78	1,370	-	-	-	-	**1,448**
Borrowing	Borrowing 50 Yrs	-	1,000	-	2,785	-	-	-	**2,785**	**3,785**	1,000	2,600	185	-	-	-	**3,785**
General Fund Subtotals		**5,223**	**24,544**	**32,362**	**17,902**	**15,308**	**10,904**	**9,118**	**85,594**	**115,361**	**43,192**	**35,154**	**16,993**	**10,904**	**9,118**	**-**	**115,361**
Revenue	S106 (Revenue) Contributions	-	-	1,000	-	-	-	-	**1,000**	**1,000**	200	800	-	-	-	-	**1,000**
Revenue	MRA Reserve	175	-	2,435	2,475	2,295	2,315	2,195	**11,715**	**11,890**	2,610	2,475	2,295	2,315	2,195	-	**11,890**
Revenue	RCCO - From HRA Revenue EMR's - Other	25	-	-	-	-	-	-	**-**	**25**	25	-	-	-	-	-	**25**
Revenue	RCCO - From HRA Revenue EMR's - Renewable Energy	-	-	250	250	250	250	250	**1,250**	**1,250**	250	250	250	250	250	-	**1,250**
Revenue	RCCO - From HRA Revenue EMR's - Afford Rents Surplus	148	-	225	225	225	224	-	**899**	**1,047**	373	93	357	24	200	-	**1,047**
Revenue	RCCO - From HRA Revenue EMR's - HMF	384	60	-	-	-	-	-	**-**	**444**	444	-	-	-	-	-	**444**
Capital Grants	Capital Grants Unapplied - S106 Afford Housing	-	-	-	-	-	-	-	**-**	**-**	-	-	-	-	-	-	**-**
Capital Grants	Government Grants - Homes England Funding	52	1,818	22,720	1,080	4,815	-	-	**28,615**	**30,485**	4,030	9,986	8,501	7,968	-	-	**30,485**
Capital Receipts	Usable Capital Receipts	43	-	1,004	1,009	1,015	320	325	**3,673**	**3,716**	550	1,024	891	926	325	-	**3,716**
Capital Receipts	UCR 1:4:1 Replacement Homes	14	156	1,619	680	1,000	160	-	**3,459**	**3,629**	618	1,239	696	916	160	-	**3,629**
Capital Grants	One Public Estate Funding	-	-	3,285	180	1,140	-	-	**4,605**	**4,605**	240	3,045	180	1,140	-	-	**4,605**
Borrowing	Borrowing 25 Yrs	50	-	-	-	-	-	-	**-**	**50**	50	-	-	-	-	-	**50**
Borrowing	Borrowing 50 Yrs	87	6,653	33,475	3,236	5,320	16	-	**42,047**	**48,787**	12,244	13,662	13,535	9,346	-	-	**48,787**
HRA Subtotals		**978**	**8,687**	**66,013**	**9,135**	**16,060**	**3,285**	**2,770**	**97,263**	**106,928**	**21,634**	**32,574**	**26,705**	**22,885**	**3,130**	**-**	**106,928**
Grand Totals		**6,201**	**33,231**	**98,375**	**27,037**	**31,368**	**14,189**	**11,888**	**182,857**	**222,289**	**64,826**	**67,728**	**43,698**	**33,789**	**12,248**	**-**	**222,289**

Appendix 2

			To be rolled f/wd from 22/23		Total Project Costs for Approval							Spend Profile						
Area	Sub Area	Project Title	Forecast Slippage from 22/23 to be C/fwd to 2023/24 £000's	Forecast Budget from 22/23 to be spent over life of MTFP £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's	Total £000's	Grand Total £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's	Beyond 2028/29 £000's	Total £000's
General Fund																		
Leisure	Lords Meadow Leisure Centre	Reception infrastructure	40	80	40	-	-	-	-	40	160	160	-	-	-	-	-	160
Leisure	Culm Valley Sports Centre	CVSC - Remodelling of Ground Floor	-	174	-	-	-	-	-	-	174	-	174	-	-	-	-	174
Leisure	Culm Valley Sports Centre	CVSC - Sports Hall Ceiling asset review	-	230	-	-	-	-	-	-	230	-	230	-	-	-	-	230
Other MDDC Buildings	Other - Climate Change/Net Zero	Hydromills Electricity generation Project - Tiverton Weir	10	1,200	-	-	-	-	-	-	1,210	10	1,200	-	-	-	-	1,210
Other MDDC Buildings	Phoenix House	Etarmis - Security Swipe - (linked to security project)	20	30	30	-	-	-	-	30	80	80	-	-	-	-	-	80
Other MDDC Buildings	MDDC Depots	Land acquisition for operational needs	-	1,000	-	-	-	-	-	-	1,000	1,000	-	-	-	-	-	1,000
Other MDDC Buildings	MDDC Depots	Depot Design & Build - Waste & Recycling	-	250	-	-	-	-	-	-	250	-	250	-	-	-	-	250
Other MDDC Buildings	MDDC Shops/Industrial Units	Market Walk Unit 17 - remodelling options	60	430	-	-	-	-	-	-	490	60	430	-	-	-	-	490
Other MDDC Buildings	MDDC Shops/Industrial Units	36 & 38 Fore Street including Flat above structure & cosmetic works	90	107	-	-	-	-	-	-	197	197	-	-	-	-	-	197
HIF	HIF Schemes	CA719 Cullompton Town Centre Relief Road (HIF)	3,608	8,008	18,030	-	-	-	-	18,030	29,646	13,105	15,041	1,500	-	-	-	29,646
Other	General Car Parks	West Exe South - Remodelling - additional parking spaces	20	60	-	-	-	-	-	-	80	80	-	-	-	-	-	80
Other	Parks & Play Areas	Open Space Infrastructure (incl Play Areas)	35	-	-	-	-	-	-	-	35	35	-	-	-	-	-	35
Other	ICT Projects	Server farm expansion/upgrades	74	-	-	-	-	-	-	-	74	74	-	-	-	-	-	74
Other	ICT Projects	Secure WIFI Replacement	60	-	-	-	-	-	-	-	60	60	-	-	-	-	-	60
Other	ICT Projects	Network Switch/Firewall Refresh (all sites except P/House)	50	-	-	-	-	-	-	-	50	50	-	-	-	-	-	50
Other	Other Projects	Fire Dampeners - Corporate sites	20	-	-	-	-	-	-	-	20	20	-	-	-	-	-	20
Other	Other Projects	Land drainage flood defence schemes - St Marys Hemyock	-	50	-	-	-	-	-	-	50	-	50	-	-	-	-	50
Other	Other Projects	Land drainage flood defence schemes - Ashleigh Park Bampton	20	67	-	-	-	-	-	-	87	87	-	-	-	-	-	87
Other	Other Projects	Cemetery Lodge - Structural solution for damp	-	62	-	-	-	-	-	-	62	-	62	-	-	-	-	62
Other GF Development P	Other General Fund Development Projects	3 Rivers Schemes - Funding envelope	1,116	12,796	12,196	11,162	14,138	9,304	7,953	54,753	68,665	26,108	11,162	14,138	9,304	7,953	-	68,665
Leisure	Exe Valley Leisure Centre	Spin bikes	-	-	32	-	-	-	-	32	32	32	-	-	-	-	-	32
Leisure	Exe Valley Leisure Centre	Leisure - Improved Disabled Toilet facilities	-	-	51	-	-	-	-	51	51	51	-	-	-	-	-	51
Leisure	Lords Meadow Leisure Centre	Fitness Studio renewal of equipment	-	-	125	-	-	-	-	125	125	125	-	-	-	-	-	125
Leisure	Lords Meadow Leisure Centre	Spin bikes including environment improvements	-	-	32	-	-	-	-	32	32	32	-	-	-	-	-	32
Leisure	Lords Meadow Leisure Centre	Leisure - Improved Disabled Toilet facilities	-	-	46	-	-	-	-	46	46	46	-	-	-	-	-	46
Leisure	Culm Valley Sports Centre	Spin Bikes	-	-	40	-	-	-	-	40	40	40	-	-	-	-	-	40
Leisure	Culm Valley Sports Centre	Leisure - Improved Disabled Toilet facilities	-	-	56	-	-	-	-	56	56	56	-	-	-	-	-	56
Leisure	Leisure - Other	All leisure sites replacement management/site access system (Hardware Element)	-	-	200	-	-	-	-	200	200	200	-	-	-	-	-	200
Leisure	Leisure - Climate Change/Net Zero	CVSC -Phase 3B Salix funding energy saving	-	-	396	-	-	-	-	396	396	396	-	-	-	-	-	396
Other MDDC Buildings	Phoenix House	Building Mgmt System for Heating Control	-	-	103	-	-	-	-	103	103	103	-	-	-	-	-	103
Private Sector Housing	Private Sector Housing	DFG and other private sector grants	-	-	525	550	575	600	625	2,875	2,875	525	550	575	600	625	-	2,875
Other	ICT Projects	Server hardware/software Citrix Replacement	-	-	50	-	-	-	60	110	110	50	-	-	-	60	-	110
Other	ICT Projects	VM/Storage Area Network	-	-	120	-	-	-	140	260	260	120	-	-	-	140	-	260
Other	ICT Projects	UPS Replacements	-	-	20	-	25	-	30	75	75	20	-	25	-	30	-	75
Other	ICT Projects	Laptop/Desktop Refresh	-	-	150	150	160	160	170	790	790	150	150	160	160	170	-	790
Other	ICT Projects	Audio/Video replacement for Phoenix House	-	-	120	-	-	-	140	260	260	120	-	-	-	140	-	260
Leisure	Exe Valley Leisure Centre	ATP replacement (50% share with DCC)	-	-	-	220	-	-	-	220	220	-	220	-	-	-	-	220
Leisure	Exe Valley Leisure Centre	CHP -Replacement future energy saving project	-	-	-	30	-	-	-	30	30	-	30	-	-	-	-	30
Leisure	Culm Valley Sports Centre	ATP replacement (50% share with DCC)	-	-	-	210	-	-	-	210	210	-	210	-	-	-	-	210
Leisure	Culm Valley Sports Centre	Fitness Studio renewal of equipment	-	-	-	150	-	-	-	150	150	-	150	-	-	-	-	150
Other MDDC Buildings	Other - Climate Change/Net Zero	All Fleet - Vehicle live monitoring for CO2 emissions	-	-	-	115	-	-	-	115	115	-	115	-	-	-	-	115
Other MDDC Buildings	Other - Climate Change/Net Zero	Phoenix House - Air Source Heat pumps & ducting	-	-	-	450	-	-	-	450	450	-	450	-	-	-	-	450
Other MDDC Buildings	Other - Climate Change/Net Zero	MSCP -Solar carport and additional security	-	-	-	170	-	-	-	170	170	-	170	-	-	-	-	170
Other MDDC Buildings	Other - Climate Change/Net Zero	MSCP Additional electric car charging points	-	-	-	80	-	-	-	80	80	-	80	-	-	-	-	80
Other MDDC Buildings	MDDC Depots	Depot Build - Waste & Recycling	-	-	-	3,500	-	-	-	3,500	3,500	-	3,500	-	-	-	-	3,500
Other MDDC Buildings	Public Conveniences	Phoenix Lane Toilets - new construction in fresh position - funding options to be pursued	-	-	-	125	-	-	-	125	125	-	50	75	-	-	-	125
Other MDDC Buildings	Public Conveniences	Westexe Rec Toilets - Replacement	-	-	-	160	-	-	-	160	160	-	50	110	-	-	-	160
Other	Other Projects	Tiverton Market Paving - Permanent Solution	-	-	-	200	-	-	-	200	200	-	200	-	-	-	-	200
Other	Other Projects	Baler	-	-	-	480	-	-	-	480	480	-	480	-	-	-	-	480
Other	Other Projects	PDA's for cabs	-	-	-	150	-	-	-	150	150	-	150	-	-	-	-	150
Leisure	Leisure - Climate Change/Net Zero	EVLC - Building Fabric - Insulation improvements	-	-	-	-	260	-	-	260	260	-	-	260	-	-	-	260
Other MDDC Buildings	Phoenix House	Cooling options Air Handing Unit	-	-	-	-	150	-	-	150	150	-	-	150	-	-	-	150
Leisure	Lords Meadow Leisure Centre	ATP replacement (no dual use)	-	-	-	-	-	200	-	200	200	-	-	-	200	-	-	200
Leisure	Leisure - Climate Change/Net Zero	LMLC -Building Fabric -Insulation improvements	-	-	-	-	-	200	-	200	200	-	-	-	200	-	-	200
Leisure	Leisure - Climate Change/Net Zero	CVSC-Building Fabric -Insulation improvements	-	-	-	-	-	200	-	200	200	-	-	-	200	-	-	200
Other MDDC Buildings	Other - Climate Change/Net Zero	MDDC commercial property building fabric improvements	-	-	-	-	-	240	-	240	240	-	-	-	240	-	-	240
General Fund Subtotals			**5,223**	**24,544**	**32,362**	**17,902**	**15,308**	**10,904**	**9,118**	**85,594**	**115,361**	**43,192**	**35,154**	**16,993**	**10,904**	**9,118**	**-**	**115,361**

			To be rolled f/wd from 22/23		Total Project Costs for Approval							Spend Profile						
Area	Sub Area	Project Title	Forecast Slippage from 22/23 to be C/fwd to 2023/24 £000's	Forecast Budget from 22/23 to be spent over life of MTFP £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's	Total £000's	Grand Total £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's	Beyond 2028/29 £000's	Total £000's
HRA			-	-														
HRA Projects	Existing Housing Stock	Decent Homes	175	-	860	905	730	755	780	4,030	4,205	1,035	905	730	755	780	-	4,205
HRA Projects	Housing Schemes (1:4:1 Projects)	Project 4	-	16	189	-	-	-	-	189	205	205	-	-	-	-	-	205
HRA Projects	Housing Schemes (1:4:1 Projects)	Project 1	35	-	10	-	-	-	-	10	45	45	-	-	-	-	-	45
HRA Projects	Housing Schemes (1:4:1 Projects)	Project 3	-	105	1,387	-	-	-	-	1,387	1,492	1,492	-	-	-	-	-	1,492
HRA Projects	Housing Schemes (1:4:1 Projects)	Project 29	-	150	950	-	-	-	-	950	1,100	110	990	-	-	-	-	1,100
HRA Projects	Housing Development Schemes (HE)	Project 15	16	515	4,210	-	-	-	-	4,210	4,741	4,741	-	-	-	-	-	4,741
HRA Projects	Housing Development Schemes (HE)	Project 18	4	851	200	-	-	-	-	200	1,055	1,055	-	-	-	-	-	1,055
HRA Projects	Housing Development Schemes (HE)	Project 10	10	118	1,505	-	-	-	-	1,505	1,633	1,633	-	-	-	-	-	1,633
HRA Projects	Housing Development Schemes (HE)	Project 14	9	751	200	-	-	-	-	200	960	960	-	-	-	-	-	960
HRA Projects	Housing Development Schemes (HE)	Project 9	6	122	1,105	-	-	-	-	1,105	1,233	1,233	-	-	-	-	-	1,233
HRA Projects	Housing Development Schemes (HE)	Project 11	10	1,416	400	-	-	-	-	400	1,826	1,826	-	-	-	-	-	1,826
HRA Projects	Housing Development Schemes (HE)	Project 8	60	300	2,240	-	-	-	-	2,240	2,600	60	2,540	-	-	-	-	2,600
HRA Projects	Housing Development Schemes (HE)	Modular Housing - Shapland Place, Tiverton	278	-	-	-	-	-	-	-	278	278	-	-	-	-	-	278
HRA Projects	Other HRA Projects	Post Hill, Tiverton	-	4,243	15,757	-	-	-	-	15,757	20,000	2,339	8,706	8,955	-	-	-	20,000
HRA Projects	Other HRA Projects	Garages Block - Redevelopment	300	-	-	-	-	-	-	-	300	300	-	-	-	-	-	300
HRA Projects	Other HRA Projects	Old Road Depot remodelling options - forecast expenditure to maintain operations	50	-	-	-	-	-	-	-	50	50	-	-	-	-	-	50
HRA Projects	Other HRA Projects	Queensway (Beech Road) Tiverton (3 units)	-	100	-	-	-	-	-	-	100	100	-	-	-	-	-	100
HRA Projects	Other HRA Projects	Sewerage Treatment Works - Washfield	25	-	-	-	-	-	-	-	25	25	-	-	-	-	-	25
HRA Projects	Existing Housing Stock	Garage Mods	-	-	150	150	150	150	-	600	600	150	150	150	150	-	-	600
HRA Projects	Existing Housing Stock	Roofing	-	-	600	600	600	600	600	3,000	3,000	600	600	600	600	600	-	3,000
HRA Projects	Existing Housing Stock	Fire Safety	-	-	50	40	30	20	20	160	160	50	40	30	20	20	-	160
HRA Projects	Existing Housing Stock	Window/Doors	-	-	400	400	400	400	400	2,000	2,000	400	400	400	400	400	-	2,000
HRA Projects	Existing Housing Stock	Heating	-	-	375	380	385	390	395	1,925	1,925	375	380	385	390	395	-	1,925
HRA Projects	Existing Housing Stock	Renewables	-	-	250	250	250	250	250	1,250	1,250	250	250	250	250	250	-	1,250
HRA Projects	Existing Housing Stock	Adaptations	-	-	305	310	315	320	325	1,575	1,575	305	310	315	320	325	-	1,575
HRA Projects	Housing Schemes (1:4:1 Projects)	Project 7	-	-	220	-	-	-	-	220	220	220	-	-	-	-	-	220
HRA Projects	Housing Schemes (1:4:1 Projects)	Project 41	-	-	140	-	-	-	-	140	140	140	-	-	-	-	-	140
HRA Projects	Housing Schemes (1:4:1 Projects)	Project 28	-	-	1,100	-	-	-	-	1,100	1,100	110	990	-	-	-	-	1,100
HRA Projects	Housing Schemes (1:4:1 Projects)	Project 51	-	-	400	-	-	-	-	400	400	40	360	-	-	-	-	400
HRA Projects	Housing Schemes (1:4:1 Projects)	Project 52	-	-	220	-	-	-	-	220	220	22	198	-	-	-	-	220
HRA Projects	Housing Schemes (1:4:1 Projects)	Project 53	-	-	230	-	-	-	-	230	230	23	207	-	-	-	-	230
HRA Projects	Housing Schemes (1:4:1 Projects)	Project 5	-	-	220	-	-	-	-	220	220	22	198	-	-	-	-	220
HRA Projects	Housing Development Schemes (HE)	Project 25	-	-	2,600	-	-	-	-	2,600	2,600	260	2,340	-	-	-	-	2,600
HRA Projects	Housing Development Schemes (HE)	Project 37	-	-	1,800	-	-	-	-	1,800	1,800	180	1,620	-	-	-	-	1,800
HRA Projects	Housing Development Schemes (HE)	Project 33	-	-	1,300	-	-	-	-	1,300	1,300	130	1,170	-	-	-	-	1,300
HRA Projects	Housing Development Schemes (HE)	Project 36	-	-	1,700	-	-	-	-	1,700	1,700	170	1,530	-	-	-	-	1,700
HRA Projects	Housing Development Schemes (HE)	Project 20	-	-	24,940	-	-	-	-	24,940	24,940	700	8,080	8,080	8,080	-	-	24,940
HRA Projects	Housing Schemes (1:4:1 Projects)	Project 27	-	-	-	1,700	-	-	-	1,700	1,700	-	170	1,530	-	-	-	1,700
HRA Projects	Housing Development Schemes (HE)	Project 26	-	-	-	1,200	-	-	-	1,200	1,200	-	120	1,080	-	-	-	1,200
HRA Projects	Housing Development Schemes (HE)	Project 22	-	-	-	2,800	-	-	-	2,800	2,800	-	280	2,520	-	-	-	2,800
HRA Projects	Housing Development Schemes (HE)	Project 54	-	-	-	200	-	-	-	200	200	-	20	180	-	-	-	200
HRA Projects	Housing Development Schemes (HE)	Project 55	-	-	-	200	-	-	-	200	200	-	20	180	-	-	-	200
HRA Projects	Housing Schemes (1:4:1 Projects)	Project 16	-	-	-	-	1,000	-	-	1,000	1,000	-	-	100	900	-	-	1,000
HRA Projects	Housing Schemes (1:4:1 Projects)	Project 56	-	-	-	-	200	-	-	200	200	-	-	20	180	-	-	200
HRA Projects	Housing Schemes (1:4:1 Projects)	Project 57	-	-	-	-	200	-	-	200	200	-	-	20	180	-	-	200
HRA Projects	Housing Schemes (1:4:1 Projects)	Project 30	-	-	-	-	1,100	-	-	1,100	1,100	-	-	110	990	-	-	1,100
HRA Projects	Housing Development Schemes (HE)	Project 23	-	-	-	-	4,100	-	-	4,100	4,100	-	-	410	3,690	-	-	4,100
HRA Projects	Housing Development Schemes (HE)	Project 24	-	-	-	-	1,100	-	-	1,100	1,100	-	-	110	990	-	-	1,100
HRA Projects	Housing Development Schemes (HE)	Project 12	-	-	-	-	1,600	-	-	1,600	1,600	-	-	160	1,440	-	-	1,600
HRA Projects	Housing Development Schemes (HE)	Project 35	-	-	-	-	1,700	-	-	1,700	1,700	-	-	170	1,530	-	-	1,700
HRA Projects	Housing Development Schemes (HE)	Project 31	-	-	-	-	1,100	-	-	1,100	1,100	-	-	110	990	-	-	1,100
HRA Projects	Housing Development Schemes (HE)	Project 13	-	-	-	-	1,100	-	-	1,100	1,100	-	-	110	990	-	-	1,100
HRA Projects	Housing Schemes (1:4:1 Projects)	Project 58	-	-	-	-	-	200	-	200	200	-	-	-	20	180	-	200
HRA Projects	Housing Schemes (1:4:1 Projects)	Project 59	-	-	-	-	-	200	-	200	200	-	-	-	20	180	-	200
HRA Subtotals			**978**	**8,687**	**66,013**	**9,135**	**16,060**	**3,285**	**2,770**	**97,263**	**106,928**	**21,634**	**32,574**	**26,705**	**22,885**	**3,130**	**-**	**106,928**
Grand Totals			**6,201**	**33,231**	**98,375**	**27,037**	**31,368**	**14,189**	**11,888**	**182,857**	**222,289**	**64,826**	**67,728**	**43,698**	**33,789**	**12,248**	**-**	**222,289**

Cabinet
07 March 2023

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2023/24

Cabinet Member: Cllr Barry Warren, Leader and Cabinet Member for Finance & Environment
Responsible Officer: Andrew Jarrett, S151 (Deputy Chief Executive)

Reason for Report: To agree the proposed Treasury Management Strategy and Annual Investment Strategy for 2023/24.

RECOMMENDATION(S):

> **That Cabinet recommends to Full Council that the proposed Treasury Management Strategy and Annual Investment Strategy for 2023/24, including the prudential indicators for the next 3 years and the Minimum Revenue Provision Statement (Appendix 1), be approved.**

Relationship to the Corporate Plan: Maximising our return from all associated treasury activities enables the Council to support current levels of spending in accordance with our Corporate Plan.

Financial Implications: Good financial management and administration underpins the entire strategy.

Legal Implications: Authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 1 of the Local Government Act 2003.

Risk Assessment: The S151 Officer is responsible for the administration of the financial affairs of the Council. Implementing this strategy and the CIPFA Code of Practice on Treasury Management helps manage the risk associated with the Council's treasury management activity.

Equality Impact Assessment: There are no Equalities Impact implications relating to the content of this report.

Impact on Climate Change: There are no Climate Change implications relating to the content of this report.

1.0 Background

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

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

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

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

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

1.6 In the recent Devon Audit Partnership audit (December 2022), a Substantial Assurance opinion was given, meaning the Council has "a sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited".

2.0 Reporting requirements

2.1 Treasury Strategy

2.1.1 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 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; and
- the implications for future financial sustainability.

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

2.2 Treasury Management reporting

2.2.1 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. In addition, members will receive quarterly treasury updates as part of the financial monitoring.

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.

2.2.2 **Scrutiny.** The above reports are required to be adequately scrutinised before being recommended to the Council. The Cabinet undertakes this role.

2.3 Treasury Management Strategy for 2023/24

2.3.1 The strategy for 2023/24 covers two main areas:

2.3.2 **Capital issues**

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

2.3.3 **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
- The policy on the use of external service providers.

2.3.4 These elements cover the requirements of the Local Government Act 2003, the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code, Department for Levelling Up, Housing and Communities (DLUHC – this was formerly the Ministry of Housing, Communities and Local Government [MHCLG]) MRP Guidance, the CIPFA Treasury Management Code and DLUHC Investment Guidance.

2.4 Training

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

2.4.2 Furthermore, the Code states that all organisations are expected 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.

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

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

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

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

2.4.6 Training requirements of members will be reviewed in 2023/24 following the district election in May and training will be arranged as required.

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

2.4.8 A formal record of the training received by officers central to the Treasury function will be maintained by the S151 (Deputy Chief Executive). Similarly, a formal record of the treasury management/capital finance training received by members will be maintained by the Member Services Manager.

2.5 Treasury management consultants

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

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

3.0 The Capital Prudential Indicators 2023/24 – 2025/26

3.1.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the Prudential Indicators, which are designed to assist members' overview and confirm capital expenditure plans.

3.2 Capital expenditure and financing

3.2.1 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 below table shows planned expenditure in the 2023/24 Capital Programme of £64,826k, (£58,625k new projects plus the projected slippage from prior years £6,201k).

Prudential Indicator: Estimates of Capital Expenditure

Capital Expenditure £000	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
General Fund	3,836	5,224	17,084	23,992	2,855
HRA	4,196	7,446	21,634	32,574	26,705
Loans to Subsidiary Company *	3,591	9,282	26,108	11,162	14,138
Total	**11,623**	**21,952**	**64,826**	**67,728**	**43,698**

* *Loans to Subsidiary Company are non-treasury investments and so not covered in detail in this report. Refer to the Capital Strategy for further information.*

For Members clarity, the NHS Hub loan is treated as General Fund.

3.2.2 Other long-term liabilities – The above financing need excludes other long-term liabilities, such as PFI and leasing arrangements that already include borrowing instruments.

3.2.3 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital expenditure £000	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital Receipts	1,484	1,190	1,575	2,426	1,587
Capital Grants	1,367	4,934	15,023	29,652	11,016
Capital Reserves	0	0	0	0	0
Revenue	2,889	4,733	4,934	5,661	2,927
Net financing need for the year	**5,883**	**11,095**	**43,294**	**29,989**	**28,168**

3.2.4 The net financing need for Loans to Subsidiary Company included in the above table against expenditure is shown below:

Loans to Subsidiary Company £000	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital Expenditure	3,591	9,282	26,108	11,162	14,138
Financing Costs	0	0	0	0	0
Net financing need for the year	**3,591**	**9,282**	**26,108**	**11,162**	**14,138**
Percentage of total net financing need %	61.0%	83.7%	60.3%	37.2%	50.2%

The financing costs are zero as, to date, all lending has been funded through internal borrowing. This is forecast to be possible in the years 2023/24 – 2025/26.

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

3.3.1 The second Prudential Indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

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

3.3.3 The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI, PPP lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has £2.314m of such schemes within the CFR.

3.3.4 **The Council is asked to approve the CFR projections below:**

Prudential Indicator: Estimates of Capital Financing Requirement

Capital Financing Requirement £000	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
CFR – General Fund	10,162	9,877	14,223	19,411	18,856
CFR – Housing	39,603	40,580	51,934	64,400	76,626
CFR – Loans to Subsidiary Company	11,363	20,522	30,636	15,622	14,138
Total CFR	**61,128**	**70,979**	**96,793**	**99,433**	**109,620**
Movement in CFR*	**3,282**	**9,851**	**25,814**	**2,640**	**10,187**

**The movement in CFR will not directly match the Net Financing Need (see 3.2.3) due to the annual MRP charge reducing the balance in line with each asset's expected life. The CFR is cumulative, so increases and decreases for scheduled loans to, and repayments from, 3 Rivers Developments Ltd.*

3.4 Liability Benchmark

3.4.1 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.

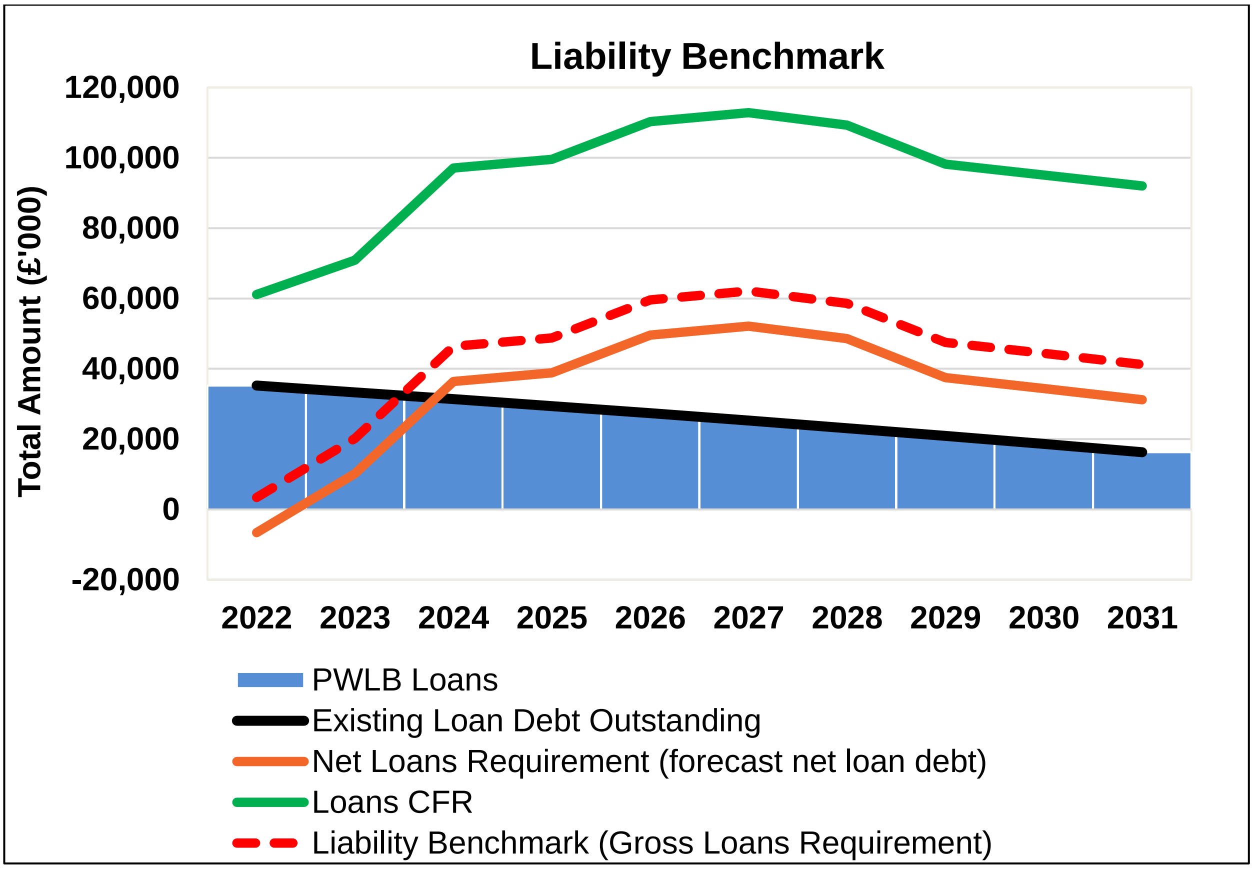
3.4.2 There are four compenents to the LB:

1. **Existing loan debt outstanding**: the Council'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 Council'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 a short-term liquidity allowance.

3.4.3 The Council's Liability Benchmark for years ending March 2022 to March 2031 is shown below:



3.4.4 The chart can be interpreted as follows:

- The liability benchmark (red dashed line) is the Council's need for external borrowing.
- Where the liability benchmark exceeds the existing loans (black line) then there is a need for new borrowing. Where the liability benchmark is below the existing loans then the Council is holding surplus cash that will be put into short-term investments.
- The area between the liability benchmark and net loans requirement (orange line) shows the cash required to manage the Council's day-to-day cash flow need, which is estimated to be £10m.
- The area between the loans CFR (green line) and liability benchmark shows the potential for internal borrowing, which currently stands at circa £50m.

4.0 Borrowing

4.1 The capital expenditure plans set out in Section 3 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 and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. This strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

4.2 Current portfolio position

4.2.1 The overall treasury management portfolio as at 31 March 2022 and the position as at 31 December 2022 are shown below for both borrowing and investments.

TREASURY PORTFOLIO				
	Actual	Actual	Current	Current
	31/03/2022	31/03/2022	31/12/2022	31/12/2022
Treasury Investments	**£000**	**%**	**£000**	**%**
Banks	17,832	43%	17,479	45%
Building Societies	4,000	10%	0	0%
Local Authorities	15,000	36%	11,000	28%
DMADF (H.M.Treasury)	0	0%	5,500	14%
Other Public Bodies	0	0%	0	0%
Total Managed In-House	**36,832**	**88%**	**33,979**	**87%**
Property Funds	5,000	12%	5,000	13%
Total Managed Externally	**5,000**	**12%**	**5,000**	**13%**
Total Treasury Investments	**41,832**	**100%**	**38,979**	**100%**
Treasury External Borrowing				
Local Authorities	0	0%	0	0%
PWLB	35,234	100%	34,279	100%
Total External Borrowing	**35,234**	**100%**	**34,279**	**100%**
Net Treasury Investments / (Borrowing)	**6,598**		**4,700**	

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

External Debt £000	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Debt at 1 April	37,104	35,234	33,310	43,873	47,898
Expected Change in Debt	-1,870	-1,924	10,563	4,025	9,967
Other Long-Term Liabilities (OLTL)	2,436	2,190	2,314	2,037	2,323
Expected Change in OLTL	-247	125	-277	287	-532
Actual Gross Debt at 31 March	**37,423**	**35,625**	**45,910**	**50,222**	**59,656**
Capital Financing Requirement	**61,128**	**70,979**	**96,793**	**99,433**	**109,620**
Under / (Over) Borrowing	**23,705**	**35,354**	**50,883**	**49,211**	**49,964**

4.2.3 Within the range of Prudential Indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2023/24 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.

4.2.4 The S151 (Deputy Chief Executive) reports that the Council complied with this Prudential Indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

4.3 Treasury Indicators: limits to borrowing activity

4.3.1 **The operational boundary.** This is the limit which external debt is not normally expected to exceed. This is the CFR, split between debt and other long term liabilities (leases) and rounded up to the nearest million.

Prudential Indicator: Operational Boundary

Operational boundary £000	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Debt	69,000	95,000	98,000	108,000
Other long term liabilities	3,000	3,000	3,000	2,000
Total	**72,000**	**98,000**	**101,000**	**110,000**

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

4.3.3 This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised. The authorised limit is set at the CFR plus £5m for debt and £4m for other long term liabilities, to cover exceptional circumstances and borrowing ahead of need to secure interest rates.

4.3.4 **The Council is asked to approve the following authorised limit:**

Prudential Indicator: Authorised Limit

Authorised Limit £000	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Debt	74,000	100,000	103,000	113,000
Other long term liabilities	7,000	7,000	7,000	6,000
Total	**81,000**	**107,000**	**110,000**	**119,000**

4.4 Prospects for interest rates

4.4.1 The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on future interest rates. The following table gives their view as at 19 December 2022.

Interest Rates	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 View	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%
5yr PWLB Rate	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%
10yr PWLB Rate	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%
25yr PWLB Rate	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%
50yr PWLB Rate	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%

4.4.2 Over the last 12 months, the Bank of England has made a series of increases to Bank Rate in an attempt to tame inflation. CPI looks to have peaked at 11.1% in Q4 2022 and currently sits at 10.5%, yet further increases to Bank Rate are expected in the coming months to help bring this down further. The current Bank Rate is 3.5% and most forecasts, including that of Link Group, expect this to reach a peak of 4.5% around May of this year before falling again once inflationary pressures reach an acceptable level, perhaps as early as Q1 2024.

4.4.3 A more thorough economic outlook provided by our Treasury Advisors is detailed in **Appendices 2 and 3.**

4.5 Borrowing strategy

4.5.1 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. With significant levels of capital expenditure expected during 2023/24, it is recommended that the Council maximises its use of internal borrowing rather than seeking to fund projects through new external borrowing. This strategy is prudent as investment returns are lower than the cost of borrowing and counterparty risk is still an issue that needs to be considered.

4.5.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The S151 (Deputy Chief Executive) will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- If it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed;
- If it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.
- The Council will consider all external loan options available in the market including Public Works Loans Board, Banks, Other Local Authorities and the Municipal Bond Agency. The term and repayment profile of any loans will be determined by the periods financing is required. The level of borrowing will stay within the above limits.

4.5.3 Any decisions will be reported to the Cabinet at the next available opportunity.

4.6 Policy on borrowing in advance of need

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

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

4.7 Debt rescheduling

4.7.1 Rescheduling of current borrowing in our debt portfolio is unlikely to occur as the penalties currently being applied to premature repayments are prohibitive. If rescheduling is done, it will be reported to the Cabinet at the earliest meeting following its action.

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

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

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate)
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry”)

- Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time)

4.8.2 The degree to which any of these options proves cheaper than PWLB Certainty Rate is constantly evolving but our advisors will keep us informed.

4.9 Approved Sources of Long and Short Term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
Municipal Bond Agency	●	●
Local Authorities	●	
Banks	●	●
Finance Leases	●	●

5.0 Annual Investment Strategy

5.1 Investment policy – management of risk

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

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

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

5.1.3 The Council's investment priorities will be Security first, portfolio Liquidity second and then Yield (return) – known as the SLY Principle.

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

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

5.1.4.2 **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets, which the Council will achieve through engaging with its advisors to maintain a monitor on market pricing.

5.1.4.3 **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.

5.1.4.4 The Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use. See **Appendix 4** for a list.

5.1.4.5 **Lending and transaction limits** (amounts and maturity) for each counterparty will be set through applying the matrix table in paragraph 5.2.6.

5.1.4.6 The Council will set a limit for the amount of its investments which are invested for **longer than 365 days** (see paragraph 5.4.9).

5.1.4.7 Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating** (see paragraph 5.3.2).

5.1.5 The Council has engaged external consultants (see paragraph 2.5.1), 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.

5.1.6 All investments will be denominated in sterling.

5.1.7 As a result of the change in accounting standards for 2019/20 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 then MHCLG concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 2023.) It has not yet been determined whether a further extension to the override will be agreed by Government.

5.1.8 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 (see section 5.5). Regular monitoring of investment performance will be carried out during the year.

5.1.9 The above criteria are unchanged from last year.

5.2 Creditworthiness policy

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

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate

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

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

5.2.3 Credit rating information is supplied by Link Group, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to a counterparty with the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

5.2.4 The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is:

- Banks 1 - good credit quality – the Council will only use banks which:
  i. are UK banks; and/or
  ii. are non-UK and domiciled in a country which has a minimum sovereign Long Term Fitch rating of AAA; and
  iii. have, as a minimum, a credit rating of F1 (Fitch), with regard for Moody's and Standard & Poor's credit ratings (where rated).
- Banks 2 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested.
- Building Societies – The Council will use all societies which:
  i. Meet the Fitch rating for banks outlined above; and
  ii. Have assets in excess of £1bn;
- Money Market Funds Fitch CNAV AAAmmf/AAA
- Money Market Funds LNVAV AAAmmf/AAA
- Money Market Funds VNAV AAAmmf/AAA
- UK Government (including gilts, Treasury Bills and the DMADF)
- Local authorities, Police, Fire, parish councils and other public bodies

5.2.5 **Use of additional information other than credit ratings.** Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information will be applied to compare the relative security of differing investment opportunities.

5.2.6 **Time and monetary limits applying to investments.** The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both specified and non-specified investments):

Details	Fitch Short term Rating	Money and/or % Limit	Transaction Limit	Time Limit
The Council's bank* (currently NatWest)	F1	£5m + balance of grant funds	n/a	n/a
Banks 1 (good credit quality)	F1	£5m	£5m	2yr
Banks 2 (Council's banker if not meeting Banks 1)	F2/F3	£5m (call account)	£5m (call account)	1 day
DMADF	UK sovereign rating	unlimited	unlimited	unlimited
Local authorities & other public bodies	N/A	unlimited	unlimited	unlimited
Building Societies	F1	£5m	£5m	2yr
Money Market Funds - CNAV	AAAmmf/AAA	£2m	£2m	liquid
Money Market Funds - LVNAV	AAAmmf/AAA	£2m	£2m	liquid
Money Market Funds - VNAV	AAAmmf/AAA	£2m	£2m	liquid

**This limit was approved in the TMSS for 2021/22 to allow the continued administration of business grant funds.*

The above table relates to financial investments only – non-financial investments, such as commercial loans or purchases of income yielding assets are covered in the Capital Strategy.

5.2.7 The proposed criteria for specified and non-specified investments are shown in **Appendix 4** for approval.

5.2.8 **Creditworthiness**

5.2.9 Significant levels of downgrades to short- and long-term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, more recently the UK sovereign debt rating has been placed on Negative Outlook by the three major rating agencies in the wake of the Truss/Kwarteng unfunded tax-cuts policy. Although the Sunak/Hunt government has calmed markets, the outcome of the rating agency reviews is unknown at present, but it is possible the UK sovereign debt rating will be downgraded. Accordingly, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK.

5.3 Other limits

5.3.1 Due care will be taken to consider the country, group and sector exposure of the Council's investments.

5.3.2 **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AAA. The list of countries that qualify using this credit criteria as at the date of this report are shown in **Appendix 5**. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

5.3.3 **Other limits.** In addition:

- no more than 30% of overall investment balances will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies; and
- the Council will not hold more than £5m with any banking group.

5.4 Investment strategy

5.4.1 **In-house funds**

5.4.2 Over recent years, the Council has typically held upwards of £20m in short term investments with the objective of managing cash flows whilst earning a return at the same time. These returns remained historically low for two years after interest rates plummeted at the start of the Covid-19 pandemic in Q4 2019/20, however increases to interest rates over the last 12 months have seen returns on short term investments rebound from £54k in 2021/22 to a forecast £534k in 2022/23.

5.4.3 Retaining cash balances (short term investments + current account [excluding Covid-19 grant funds]) of £10m would be enough to ensure a regular turnover in short term investments to manage the fluctuations in cash flows. Therefore, internal borrowing will be used to finance capital expenditure where cash balances remain above £10m, with external borrowing only sought to keep balances above this limit where necessary. Interest rates currently available from PWLB are around 50 basis points (0.50%) higher than rates available for short term investments, and so maximising internal borrowing could result in net savings of around £50k per annum versus maintaining cash balances at current levels.

5.4.4 As cash balances reduce through 2023/24, there will be a need to reduce the average maturity on investments to ensure a regular turnover of maturities, which will be matched with the Council's large cash outflows. This will mean the primary consideration for investments will be the core balance and cash flow requirements, with the outlook for short-term interest rates only considered where significant changes are expected. Greater returns are usually obtainable by investing for longer periods, however this needs to be balanced with the Council's cash requirements.

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

5.4.5 **Investment returns expectations**

5.4.6 The current forecast shown in paragraph 4.4.1, includes a forecast for Bank Rate to reach 4.5% in Q2 2023.

5.4.7 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Year	%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Later years	2.80%

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

5.4.9 **The Council is asked to approve the following treasury indicator and limit:**

Upper limit for principal sums invested for longer than 365 days	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)
Principal sum invested for longer than 365 days but not exceeding 2 years.	5	5	5

5.4.10 For its cash flow generated balances, the Council will seek to utilise money market funds and short-dated deposits (overnight to 365 days) in order to benefit from the compounding of interest.

5.5 Investment performance / risk benchmarking

5.5.1 The Council will use an investment benchmark to assess the performance of its investment portfolio of 7 day SONIA (Sterling Overnight Index Average).

5.6 End of year investment report

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

5.7 Commercial and Non-Financial Investments

5.7.1 **Property Investments.** A limit of £5m will be applied to the use of non-specified investments. This principally relates to property funds, which is within the Local Authorities' Property Fund via CCLA.

5.7.2 **Non-Financial Investments.** On the 30th March 2017, Cabinet approved the establishment of a Special Purpose Vehicle – 3 Rivers Developments Limited and that the Council could lend to 3 Rivers Developments Ltd. This company is a subsidiary of Mid Devon District Council and has the sole purpose of property development.

5.7.3 There is no cap on the amount of money that can be loaned to 3 Rivers Developments Ltd. However, for each new project the company takes on, there is an individual loan agreement signed by the S151 Officer prior to any lending. All project spending / borrowing requirements are approved annually by Cabinet as part of the company's Annual Report/Business Plan, with individual Business Cases reviewed and approved by Cabinet on any development over £1m.

5.7.4 Please refer to the Capital Strategy for a more detailed programme and borrowing streams.

6.0 Conclusion

6.1 Treasury management is a highly complex and specialist subject. It is tightly controlled by regulation and procedures that the Council must abide by. In addition to the skilled staff in house, the Council has access to advice from its Treasury Advisors (Link Group) where we need it to ensure that we comply with these rules.

6.2 Cabinet will consider the Treasury Management Strategy before recommending Full Council approve it at its budget meeting on 22 February.

APPENDICES

1. Prudential and treasury indicators and MRP statement
2. Interest rate forecasts
3. Economic background
4. Treasury management practice 1 – credit and counterparty risk management
5. Approved countries for investments
6. Treasury management scheme of delegation
7. The treasury management role of the Section 151 Officer

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APPENDIX 1

1.0 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2023/24 – 2025/26

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.

1.1 Capital expenditure

See section 3.2 for the breakdown of capital expenditure.

1.2 Affordability prudential indicators

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

Ratio of financing costs to net revenue stream

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.

%	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
General Fund	0.95%	-3.55%	-4.89%	-3.14%	-3.45%
HRA	15.06%	12.56%	12.59%	15.63%	17.16%

The estimates of financing costs include current commitments and the proposals in this budget report.

1.3 Minimum Revenue Provision (MRP) Policy Statement

Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to the Department of Levelling Up, Housing & Communities' *Statutory Guidance on Minimum Revenue Provision* (the DLUHC Guidance).

The broad aim of the DLUHC Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The DLUHC Guidance requires the Council to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP.

The Council is recommended to approve the following MRP Statement*:*

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Based on CFR** – MRP will be based on the CFR.

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

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be*:*

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

This option provides for a reduction in the borrowing need over approximately the asset's life.

Finance leases will have their capital financing applied on a straight-line basis over the life of the lease contract.

There is no requirement on the HRA to make a Minimum Revenue Provision but there is a requirement for a charge for depreciation to be made.

The MRP requirement for a finance lease or PFI contract is deemed to be equal to the element of the charge/rent that goes to write down the balance sheet liability.

For capital expenditure loans to third parties that are expected to be repaid in full, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement. Where it becomes probable that a loan will not be repaid in full, MRP will be charged in accordance with the Expected Credit Loss (ECL) model outlined in IFRS 9.

MRP will not be charged against capital expenditure in the year it is incurred, but will instead commence the following year. Capital expenditure incurred during 2022/23 will not be subject to a MRP charge until 2023/24.

1.4 MRP Overpayments

A change introduced by the revised DLUHC MRP Guidance was the allowance that any charges made over the statutory Minimum Revenue Provision (MRP), Voluntary Revenue Provision (VRP) or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2022, the total VRP overpayments were £0m.

APPENDIX 2 – Provided by Link Group (MDDC's Treasury Advisor)

2.0 INTEREST RATE FORECASTS 2023-2025

Link Group Interest Rate View

Interest Rates	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 View	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%
5yr PWLB Rate	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%
10yr PWLB Rate	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%
25yr PWLB Rate	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%
50yr PWLB Rate	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%

The central forecast for interest rates was updated on 19 December and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. Bank Rate stands at 3.5% currently but is expected to reach a peak of 4.5% in H1 2023.

Further down the road, it is anticipated that the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – 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.

The CPI measure of inflation looks to have peaked at 11.1% in Q4 2022 (currently 10.7%). 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.

Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started and will focus on the short, medium and longer end of the curve in equal measure, now that the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy are firmly in the rear-view mirror.

In the upcoming months, 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.

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.

PWLB RATES

- The yield curve movements have become less volatile of late and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.10% to 4.80%.
- The markets are seen as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

The balance of risks to the UK economy: -

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

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

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

- **The Bank of England** acts too quickly, or too far, over the next year 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 Bank Rate staying higher for longer than we currently project or even necessitates a further series of increases in Bank Rate.

- **The Government** acts too quickly to cut taxes and/or increases expenditure in 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 and pull gilt yields up higher than currently forecast.

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

Borrowing advice: The long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are currently 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.

APPENDIX 3 – Provided by Link Group (MDDC's Treasury Advisor)

3.0 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 c500k 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.

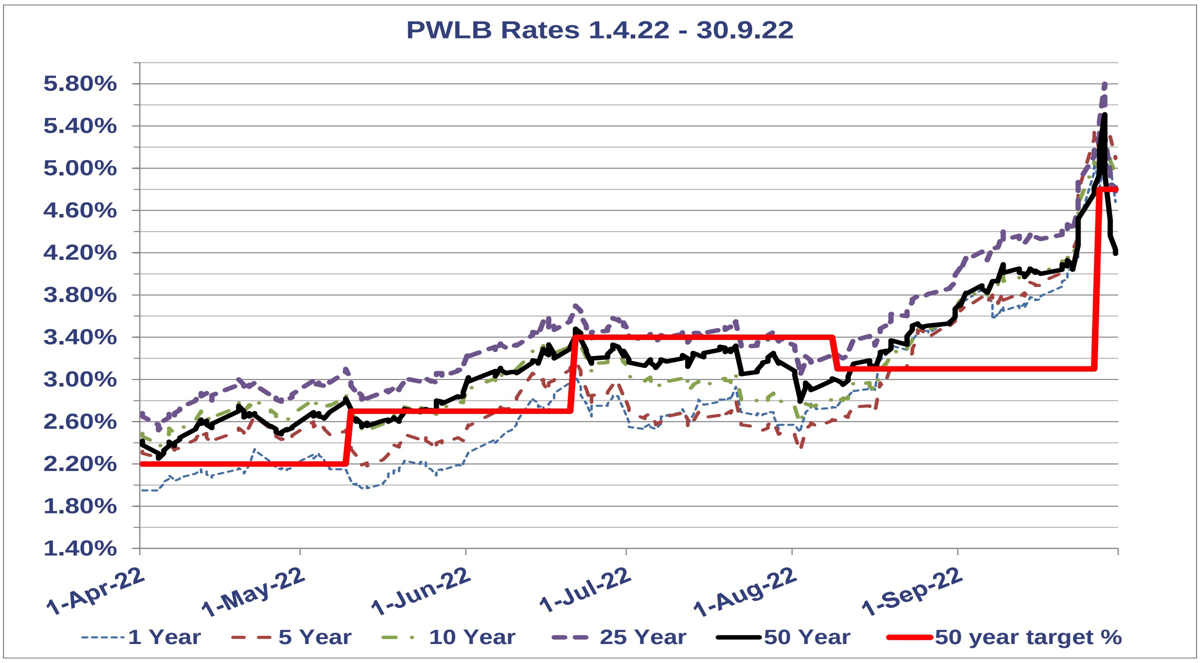
Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3.5% in December and the market expects Bank Rate to hit 4.5% by May 2023.

Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. 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 almost 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 $1.22. 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 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 – DECEMBER 2022

In December, the Fed decided to push up US rates by 0.5% to a range of 4.25% to 4.5%, whilst the MPC followed by raising Bank Rate from 3% to 3.5%, in line with market expectations. EZ rates have also increased to 2% with further tightening in the pipeline.

Having said that, the sentiment expressed in 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

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

Specified Investments: All investments with a high level of credit quality subject to a maturity limit of one year.

Non-Specified Investments: Any investments that do not meet the specified investment criteria. These may be of a lower credit quality, for periods in excess of one year, or are more complex instruments which require a greater consideration by members and officers before being authorised for use. A maximum of £5m will be held in aggregate in non-specified investment.

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

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

	Minimum credit criteria	Max % of total investments / £ limit per institution	Max. maturity period
DMADF – UK Government	N/A	100%	Any
UK Government gilts	UK sovereign rating	100%	Any
UK Government Treasury bills	UK sovereign rating	100%	Any
Money Market Funds CNAV	AAAmmf/AAA	£2m	Liquid
Money Market Funds LNVAV	AAAmmf/AAA	£2m	Liquid
Money Market Funds VNAV	AAAmmf/AAA	£2m	Liquid
Local authorities	N/A	100%	Any
Term deposits with banks and building societies	F1 (Fitch) / £1bn asset base for building societies	£5m	2 Years
Term deposits with Non-UK banks and building societies	Sovereign Fitch rating of AAA	£3m	1 Year
Gilt funds	UK sovereign rating	100%	Any
Property funds	LA Property Fund	£5m	Ongoing

In addition to the minimum credit criteria outlined in the above table, all term deposits with banks and building societies will be subject to the maximum recommended duration set out by Link Group.

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

Environmental, Social and Governance (ESG) factors. Following changes to the CIPFA Treasury Management Code 2021, the Council is required to consider ESG factors as part of its investment policy. This is a new and evolving area within the short-term financial markets, so the impact on investment decisions will be limited for the coming year.

Governance is by far the most important part of ESG when considering treasury investments, as this is most likely to impact on the financial performance of an entity and its ability to repay deposits. Governance issues already play a role in the selection of acceptable investment counterparties, as any banks or building societies with significant governance concerns are unlikely to achieve the high credit ratings required for the Council to deposit funds.

Environmental and Social factors have less of an impact when considering short-term investments. This is because investments specifically for environmental or social gain are typically longer term and inherently more risky, which isn't aligned with the Security, Liquidity and Yield (SLY) principle the Council currently follows. Only the larger banks and building societies are able to achieve the credit ratings required by the Council, all of which are likely to have environmental and social aims broadly aligned with that of the Council, so further consideration of these factors are currently unlikely to influence the Council's investment decisions.

Further work on ESG is required by the financial markets before the Council can incorporate this into its investment policy. Trying to do this too early could result in artificially limiting potential counterparty options, thus decreasing diversification and increasing financial risk. This could then lead to the need to widen credit criteria to find more counterparties, again increasing financial risk beyond what is considered prudent and acceptable. Members will be updated on any significant advances by the financial markets that could allow the formulation of ESG criteria to include in the Council's investment policy.

APPENDIX 5

5.0 APPROVED COUNTRIES FOR INVESTMENTS

AAA

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

The sovereign ratings shown above are at 19 December 2022 from Link Group.

APPENDIX 6

6.0 TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Full Council

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

(ii) Cabinet

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Cabinet

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

(iv) Delegation from the S151 (Deputy Chief Executive) to the nominated post(s) for the taking of the investment decisions:

- Corporate Manager for Finance and Procurement (Deputy S151)

APPENDIX 7

7.0 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers;
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe for example 25+ years;
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money;
- 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;
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing;
- 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;
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities;
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees;
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority;
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above;
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out 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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Cabinet
07 February 2023

2023/24 Budget

Cabinet Member: Cllr Bob Deed, Leader and Cabinet Member for Finance
Responsible Officer: Andrew Jarrett, Deputy Chief Executive (S151)

Reason for Report: This report provides the proposed budgets for the General Fund and the Housing Revenue Account for the year 2023/24 and recommends the Band D Council Tax charge for 2023/24.

RECOMMENDATIONS:

Cabinet are asked to recommend to Council the following:

1. **A Council Tax Requirement of £6,724,350 calculated using a Council Tax of £225.40 for a Band D property, an increase of £6.56 or 2.99% from 2022/23 and a Tax Base of 29,832.98, in accordance with the Local Authorities (Calculation of Tax Base) Regulation 1992, as amended, after the relevant adjustments in respect of the Council tax support scheme approved by Cabinet on 3 January 2023;**
2. **The overall budgeted Cost of Services within the General Fund of £16,720,364 for 2023/24 is approved as detailed across Appendices 1 – 2 and inclusive of the adjustments included within Table 1 in paragraph 5.1;**
3. **The 2023/24 budget requires no transfer from the General Fund Balance and a further temporary transfer of £57,657 from the New Homes Bonus EMR in order to balance and agree all of the transfers to and from Earmarked Reserves as detailed in Appendix 3;**
4. **HRA budget for 2023/24 be approved – Appendix 4;**
5. **HRA fees/charges are approved based on the attached Appendix 5;**
6. **Work on strategic planning for delivering a balanced budget for 2024/25 is commenced immediately.**

Relationship to Corporate Plan: This budget delivers the Corporate Plan priorities within existing financial resources.

Financial Implications: This is a financial report and the implications are contained within it. This report proposes a balanced GF and HRA budget for 2023/24 without materially reducing service delivery.

Legal Implications: None directly arising from this report, although there is a legal obligation to balance the budget. There are legal implications arising from any future consequential decisions to change service provision, but these would be assessed at the time.

Risk Assessment: In order to comply with the requirement to set a balanced budget, management must ensure that the proposed savings are robust and achievable. We must also ensure that the assumptions we have used are realistic and prudent. Failure to set a robust deliverable budget puts the Council at risk of not being able to meet its commitments and casts doubt on its “going concern” and “Value for Money” status.

Equality Impact Assessment: There are no Equalities Impact implications relating to the content of this report. All Policy Development Group meetings have considered and made decisions based on summary feedback from the recently completed resident's survey.

Climate Change Assessment: The General Fund, Capital Programme and the Housing Revenue Account all contain significant investment in order to work towards the Council's Carbon Reduction Pledge.

1 Introduction

1.1. The balancing of the Council's budget continues to be a challenge year-on-year following the Government's austerity measures and the subsequent reduction in funding. Adding to this pressure, the financial impacts of Covid-19 continue to disrupt service delivery and reduce fee income and now the Cost of Living Crisis significantly adds to our costs and is likely to increase demand for services.

1.2. To mitigate these austerity measures, the Council has already secured and delivered significant savings for over a decade in order to "balance the books" and maintain service delivery during the austerity period.

1.3. Leadership Team, Corporate Managers and the Finance Team have been involved in discussions to secure savings, without reducing service delivery as far as possible. However it is now a fundamentally more difficult challenge year-on-year and therefore, looking to the future, a new more strategic process will be required to match service provision to available funding. This needs to begin as soon as possible to give time for options to be identified and implemented.

1.4. On 1 November 2022, the report to Cabinet advised that the General Fund (GF) forecast a budget deficit of £2,111k in 2023/24 rising to over £5,219k by the end of the 5-year timeframe, based upon a number of key assumptions (e.g. Government funding, inflation rates, pay award, Council Tax levels, use of balances/reserves, etc.). Following a detailed review, particularly of fees and charges income, the 2023/24 deficit had reduced to £960k as reported to Cabinet on 30 November 2022. Within the 3 January Cabinet report, this has further reduced to £905k through additional service efficiencies.

1.5. During the January suite of Policy Development Group (PDG) meetings, further options largely around vacancy management were discussed with a view to achieving a savings target to balance the 2023/24 Budget. In addition, the PDG's were asked to identify what they viewed as the highest priority services, and those of a lower priority where additional savings could be considered.

1.6. This report shows the progress made towards balancing the 2023/24 General Fund Budget and recommends the associated Band D Council Tax charge for 2023/24 and summarises the Capital Programme and Housing Revenue Account for the year 2023/24.

2. January PDGs and Cabinet – Budget Update

2.1. Policy Development Group (PDG) and Scrutiny Committee meetings in January received an update on the latest budget shortfall position, which, as stated in paragraph 1.4, had reduced to £905k due to minor service efficiencies following a further review.

2.2. Throughout the budget process Scrutiny Committee and the PDGs have been kept informed and have considered various options during the drafting of the proposed 2023/24 Budget. During their January meetings, Scrutiny and the individual PDGs were asked to determine what they viewed as the highest priority services, and those of a lower priority where additional savings could be considered to help reduce the budget deficit. The following recommendations were made:

2.2.1. Environment Policy Development Group agreed:

- The Weed Team should not be reinstated;
- Waste Collection/Recycling/Open Spaces should be protected from budget and service provision reductions;
- Property Service Staff Unit and Administration Buildings could be considered for budget and service provision reductions.

2.2.2. Economy Policy Development Group agreed:

- The Economic Development team be considered a high priority service area which should be protected and recognised as generating income for the Council at a high ratio (relative to the cost of the service).

2.2.3. Homes Policy Development Group

Although no formal recommendations were made, the committee were comfortable to:

- To promote the Piper Alarm scheme to increase the customer base for this important service to the community;
- To support the HRA budget as set out.

In addition, the committee were keen to explore opportunities to generate additional income through the Repairs and Maintenance Team and through the redevelopment of garages into dwellings.

2.2.4. Community Policy Development Group agreed:

- That a vacancy factor should be set for Leisure services, as long as this does not impact on health and safety or income generation;
- That planned maintenance could be reduced, as long as this does not impact on health and safety;
- That community safety should be considered a high priority service area which should be protected;
- That Public Health should be considered a high priority service area which should be protected.

2.2.5. Scrutiny Committee agreed:

- Officers provide a report on a system of vacancy control that is transparent and inclusive of Members and the Scrutiny Committee. To include the projected targets for vacancy control and how it might be implemented;

- Officers to provide a report on the future funding of the Leisure Centres including the possibility of an inclusive budgeting exercise involving the electorate on the future funding of the leisure centres.

In addition, the committee reinforced the recommendation from Environment PDG regarding not reinstating the Weed Team.

3. Key Assumptions for the 2023/24 Budget

3.1. Members and Officers have carefully scrutinised all existing budgets and the service risks associated with delivering them. It has also examined all material income sources, especially discretionary fees and charges which have been increased, where applicable, to reflect the additional cost pressures faced.

3.2. In such rapidly and frequently changing circumstances (not to mention unprecedented), assumptions soon become superseded by events. Many of the original assumptions included within the original MTFP report on 1 November 2022 have now been replaced with actual numbers, such as the Financial Settlement. However, those related to inflation largely remain, for example the Pay Award will not be agreed prior to setting the Budget and fuel/commodity prices will fluctuate throughout the year. In respect of the Pay Award, the assumption has been updated to 5.5% (from 3%) based on the latest information available. This should be broadly sufficient for a flat cash increase similar to the 2022/23 uplift.

3.3. It is also difficult to assess levels of demand for services with continuing recovery from Covid-19, but likely implications arising from the Cost of Living Crisis, for example increases in benefits claimants but possibly reductions in planning applications. Therefore careful monitoring of service demands will need to be undertaken to ensure the organisation flexes to meet demand. This could have an impact on costs, i.e. agency costs to meet short term peaks, but may also offer opportunities to deliver savings through vacancy management and reductions in energy consumption.

3.4. Corporate Managers, in conjunction with the Finance Team, review all areas of income and expenditure for known increases / decreases based on both prevailing and predicted changes in demand, price inflation, contractual obligations, etc., when proposing the 2023/24 Budget. More volatile budgets are subject to sensitivity analysis and a reasonably prudent assessment is made.

3.5. In addition to the above, regard has been made to our existing and future levels of reserves and balances which are required. We have a number of ongoing commitments already made against these reserves and balances (e.g. future capital contributions, economic development and building projects, “spend to save” projects, business transformation, town centre regeneration, future grant settlements).

3.6. However, given the prevalence of uncertainty, it should be noted this budget may well vary to a material extent. The Deputy Chief Executive (S151 Officer) proposes this budget on the basis of the information that is available at this time and his judgement of the most likely outcomes. Any adverse movement in these numbers will require support from other areas of the General Fund, or potentially utilising reserves as a last resort. Therefore there will be a need for much earlier intervention on reducing spend if financial monitoring indicates a shortfall position at the year end.

3.7. In January 2019 Cabinet amended the minimum level of general reserves required to be maintained at £2m. Although this level continues to be prudent due to the resilience offered by the level of Earmarked Reserves which the Council holds for specific projects, the potential implications of the 2022/23 outturn forecast may require this level to be reviewed. Furthermore, Government are highlighting the level of local authority reserves and advising that they should be used to mitigate the impact of the Cost of Living Crisis.

3.8. Using these reserves to fund recurrent General Fund expenditure must be considered an option of last resort. It is inherently unsustainable (they can only be spent once) and with the forecast financial challenges this Council will face in the coming years, it is imperative that they are maintained at the highest level possible.

4. Requirements for Council Tax Setting

4.1. In recent years the Government (via the DLUHC) has become far more prescriptive with regard to acceptable levels of Council Tax increases. The implementation of the Localism Act has effectively replaced Government set "capping limits" and replaced them with principles that allow the local electorate to call for a referendum if the Council is planning to increase its Council Tax above an acceptable level. The level for District Councils announced as part of the Autumn Statement and confirmed within the Settlement was set at a maximum of the greater of 3% or £5 for the 2023/24 budget year.

4.2. Although lobbying continues from the sector to increase this "cap" to £10, the 'acceptable level' is defined by the Chancellor as part of the national budget-setting process and all government calculations on 'spending power' of local authorities are on the basis that authorities increase Council Tax to the maximum amount permitted.

4.3. The Council Tax income included in the proposed budget includes a £6.56 (2.99%) increase. This equates to a Band D charge of £225.40 (a 1% variation to our Council Tax changes the income generated by approximately £65k).

5. General Fund Budget 2023/24

5.1. The proposals contained in this report result in a balanced budget for the General Fund (see **Appendices 1 and 2**). The forecast budget deficit last reported to Cabinet stood at £905k. The following table shows the recommended actions necessary to move towards a balanced position.

Table 1 – Reconciliation of proposed balancing adjustments

Movements	Amount £k
Budget Shortfall presented to January Cabinet, PDG's / Scrutiny	**905**
Implications of the Finance Settlement and other Government Grants	7
Additional Business Rates Growth / Revaluation – net of contributions to EMR	(205)
Introduction of vacancy management targets – Supported by PDGs / Scrutiny	(400)
Further refinement of the Planned Maintenance budget – Supported by Community PDG	(250)
Further Service savings (in lieu of contributions from Town/Parish Councils):	
Grounds Maintenance – reduction in grass cutting	(66)
A review of Paddling Pools – leading to possible mothballing	(70)
Refinement of Service Budgets (assumptions for Fuel, 3-Weekly Recycling)	(86)
Net Refinement of Salary Budgets (including the increase to 5.5% pay award)	+ 281
Finalisation of the recharges to HRA	(12)
Contribution to Planning Appeals EMR	+ 100
Further increase in the Council Tax in-year collection surplus	(25)
Refinement of Contributions from Reserves	(121)
Current Budget Shortfall for 2023/24 (see 5.8)	**58**
Temporary transfer from New Homes Bonus EMR	**(58)**

5.2. Members have previously been provided with a summary of the Finance Settlement implications. Further analysis and subsequent grant announcements have further improved the position from the £180k gain indicated within the previous summary.

5.3. The significant element of this settlement gain relates to Business Rates. The Business Rates NNDR1 return is included as a separate report on this meeting's agenda. This has shown a healthy increase in the rateable value of the businesses within the district. In addition, as highlighted previously to Cabinet, following the recent national Business Rates Revaluation exercise, the Rateable Value of many local businesses has increased. This is mainly because we have a higher proportion of industrial category companies, as opposed to Retail or Office based companies whose Rateable Values have reduced. The ever-present risk of appeals, which the Valuation Office consider on a daily basis, and the heightened risk of bad debts arising necessitates that we prudently set aside significant funds in our Business Rates Smoothing Reserve to mitigate these risks.

5.4. The vacancy factor has been considered by all PDG's and Scrutiny. Although not ideal, Members understood the need for this and the potential implication for service delivery during 2023/24. Scrutiny requested regular progress updates against this target which will be provided.

5.5. Further short-term reductions to scheduled maintenance has been identified. This is where maintenance is due, but following a review of the assets it has been deemed low risk to delay that maintenance. There is no health and safety risk with this reduction, and all assets will continue to be monitored to ensure that works can be undertake if the need is identified.

5.6. As previously outlined, the Council has approached the Town and Parish Councils for additional financial support. Although there is on-going dialogue, it appears that no additional funding has been agreed. Therefore, Environment PDG considered some specific service reductions in relation to reducing the number of Grass Cuts per annum, and a review of paddling pools, which could result in them being mothballed if insufficient funds are available to maintain them adequately. The PDG did not endorse these ideas, but due to the scale of the budget shortfall, it is proposed these savings are approved.

5.7. Despite further analysis work and discussions with Members and Budget Holders, and a number of other further savings options identified by officers, it was not possible to identify the full £905k ongoing savings target set.

5.8. Therefore the remaining budget shortfall has been reduced on a one-off basis in the very short term by the use of reserves. To set a balanced budget, that continues to provide the current level of service provision wherever possible, will require an additional use of £58k from the New Homes Bonus Earmarked Reserve.

5.9. Members should note that the Final Settlement will not be announced until after publication of this report (indeed possibly after Cabinet have met). Any additional funding announced will reduce the need to draw further from the New Homes Bonus reserve. With the demise of this as an ongoing funding source, the Council has started planning for a balanced budget without drawing on this historic funding source.

6. Future Funding Concerns/Cost Pressures

6.1. It is clear that Members' preference is to explore all revenue-raising options before cutting services. However, due to the increasing pressures on our budgets and the continuing reduction in our Central Government funding, the Council will need to reassess its overall corporate priorities and therefore where it allocates future budgets, it will also need to consider:

- Statutory vs Discretionary service provision;
- Resident priorities – as per the recent consultation undertaken (budget related summary previously circulated);
- How it can work more closely with Towns/Parishes;
- Explore more commercial and regeneration opportunities (being aware of the risks);
- Continue to consider any partnership possibilities;
- Review Treasury options;
- Maximise all income possibilities;
- Impact of funding changes: Fair Funding Review; NNDR baseline reset; changes to NHB;
- The need to create investable propositions for our carbon reduction ambitions.

6.2. The Council has stated its intent to try and achieve a net zero carbon operation by 2030. There remains a substantial challenge ahead if this target is to be achieved. From a carbon accounting perspective, the fact that we retain direct control (and ownership) over the majority of services means that while our influence is unfettered by long-term commissioning or contractual arrangements, we retain ownership of the significant challenges around decarbonisation. The future year's Capital Programme includes a range of investments in improving the energy efficiency of our property estate, subject to securing sufficient funding.

6.3. Not least in the area of social housing provision, where we have to balance the long-term viability of our social housing stock for the needs of future generations, with the need to invest substantially to reduce emissions (housing stock makes up the bulk of MDDC emissions). The Capital Programme includes a number of substantial housing developments increasing the amount of housing stock with highly efficient (zero carbon) modular buildings, subject to securing sufficient external funding. This continues across the 5-year Medium Term Financial Plan with the aim of developing 500 new properties.

6.4. However, with limited funding available from Government, and any such funding subject to a bidding process, in the short term we will be trying to achieve the maximum possible locally, while taking every opportunity to bid into future funding pots as they arise.

6.5. The NHB grant monies have been considered at risk for some time. It's possible that a further one-off allocation could be announced for 2024/25. It remains unclear what will happen to the funding associated with the current scheme. While we do not yet know what any new scheme may include, it can be assumed that meeting and exceeding our growth targets will be critical to ensuring that we access whatever revised distribution methodology the government implements.

6.6. As such, it's important to highlight how much New Homes Bonus is being used to help fund our General Fund and Capital Budgets in 2023/24. A total of £1,700k is being used to contribute towards various one-off General Fund projects, including:

- £364k one-off annual grant for 2023/24
- £218k towards the Cullompton HAZ from the existing EMR;
- £80k towards Business Development from the existing EMR;
- £45k to the Grand Western Canal from the existing EMR; and
- £993k to support the existing Capital Programme from the existing EMR.

As stated in para 5.8 above, to close the budget gap, it is recommended that this be increased by a further £58k, as referred to in **Recommendation 3** of this report.

6.7. It is clear is that local authorities are in desperate need of a multi-year funding agreement rather than the current year-to-year arrangements which do not allow a considered medium term view of the resources that will be available, and, how these may be managed to optimise service provision within the scope of the Corporate Plan.

7. Overall General Fund (GF) position at 31 March 2023

7.1. Recent verbal updates, and the detailed report included alongside this Cabinet report, indicate the in-year budget position is trending towards a substantial overspend. This largely relates to the Pay Award, which significantly exceeded the assumed 2% uplift. Similarly, the increases in energy and fuel costs also dwarf the assumed budget increases. If the Outturn position does continue as forecast, the General Fund Reserve balance will reduce below the current agreed minimum level of £2,000k. The S151 will review this position at year end and may recommend an alteration to that minimum balance, or the release of Earmarked Reserves to bolster the General Reserve back to that recommended minimum level. Therefore, no draw on General Reserves is recommended to support the 2023/24 Budget.

8. Transfers To and (From) Earmarked Reserves

8.1. **Appendix 3** shows in detail which amounts are being contributed to, or drawn down from, various earmarked reserves in 2023/24.

8.2. It is proposed to transfer £1,598k into earmarked reserves to help mitigate future pressures. This includes:

- £1,161k into various Sinking Funds relating to property, plant and equipment maintenance, and Vehicle replacement and repairs;
- £137k into Business Rates Smoothing;
- £120k into the Statutory Development Plan;
- £100k into a Planning Appeals reserve;
- £50k into a Business Systems Migration reserve; and
- £25k into District Elections.

8.3. It is also proposed to drawdown £3,266k to fund expenditure in 2023/24, this includes:

- £965k utilisation of Sinking Funds and Maintenance budgets supporting the investment in our assets;
- £478k utilisation of vehicle reserves supporting the investment in our vehicle fleet;
- £358k of funds to cover prior year deficits on the Collection Fund;
- £343k utilisation of New Homes Bonus (as outlined within para 6.6)
- £270k supporting the Statutory Development Plan;
- £205k towards the delivery of the Cullompton HAZ;
- £182k towards the cost of the Homes for Ukraine Scheme;
- £125k towards the cost of the District Election and Member development;
- £122k supporting the development of the Garden Village; and
- £116k towards the one off costs forecast with services
- £80k released back to the General Fund.

This gives a net reduction in Earmarked Reserves of £1,667k, prior to the proposed £58k balance adjustment through NHB.

9. Housing Revenue Account Budget 2023/24

9.1. The Housing Revenue Account (HRA) is ring fenced and accounts for the income and expenditure associated with the Council's statutory housing obligations to its tenants. The HRA has an obligation to provide a high quality, value for money service for its tenants coupled with affordable rent levels.

9.2. The Council continues to undertake valuable benchmarking work in conjunction with Housemark. These findings are then used to inform the budget setting process. In doing so, MDDC are able to better identify their position in relation to other authorities in the sector and identify areas for improved efficiency.

9.3. The overall HRA budget has been constructed on a detailed line-by-line examination of expenditure and income, having regard to last year's outturn, this year's forecast position and the on-going improvement of the housing service.

9.4. Some items of expenditure can be defined quite accurately whilst others require managers to exercise business judgement based upon their experience, particularly in the case of new commitments. Where such judgement has been applied, the proposals before Members are based upon realistic assumptions.

9.5. The main proposals for the 2023/24 budget can be summarised as follows:

Expenditure:

- An update to the base budget to reflect the additional cost of the higher than expected pay award for 2022/23;
- An assumed pay award for 2023/24 equivalent to 5.5%;
- An Increase in the Pension Contribution rate of 2.4% to 19.0%;
- Increased energy costs of c180% and fuel costs of c40%, along with a significant increase in waste disposal costs;
- The increased financing costs associated with the ambitious development programme.

Income

- A below inflation increase of 7% is proposed on existing rents in line with the Governments cap for 2023/24;
- Garage rents and Garage plot ground rents to be frozen, remaining unchanged at £10.71 per week and £275 per annum respectively.
- Increased interest yields on balances held.

9.6. The overall rental income was materially affected by the Governments previous policy to reduce Rents by 1% each year for four consecutive years. Although the current policy is to enable rents to be increased by 1% above inflation, the Government have capped this to 7% given the current level of inflation. A more detailed analysis of the proposed rent increase can be found in **Appendix 5** that shows that the average housing rent will increase to £89.88 on a 52 week basis.

9.7. Current legislation on Right to Buy means that we're likely to sell several properties in future years. We estimate, based on historic data that 16 will be sold next year.

9.8. Similarly, we forecast that we will have a number of void properties during the year. We have a prudent forecast of 70 voids across the year in line with previous years to reflect the financial implications on tenants of the Cost of Living

Crisis (this was previously increased to reflect the move to Universal Credit and Covid-19). This is broadly in line with the forecast Council Tax collection rate of 96.5%. Combined, these reductions affect our ability to fund property maintenance and development as well as servicing any existing or new debt.

9.9. Budget continues to be included to address legislation post Grenfell and to undertake further Fire Risk remedial action. However, significant further investment will be required to further contribute to the decarbonisation of the Housing Estate and achieve Net Zero by 2030.

9.10. It has been deemed as prudent to maintain the HRA reserve balance at £2,000k and it is expected to remain so throughout 2023/24. At the start of 2022/23, other HRA reserves totalled £21,233k. This included £15,863k in the Housing Maintenance Fund (HMF); £814k in the Renewable Energy Fund (REF) and £255k in Major Repairs Reserve. It is intended that any expenditure funded from the REF monies be used on renewable energy schemes.

9.11. The final budget summary for the 2023/24 HRA is shown in **Appendix 4**. It will continue to provide for an enhanced housing service which will allow for more capital investment and additions to our existing stock.

9.12. The ambition to build a significant number of new properties continues across the 5-year Medium Term Financial Plan. The prospect of building new social housing raises the issue of significant future capital financing requirements. Budget at assumed interest rates of circa 5% is included within the future years of the MTFP to finance the build of a number of new highly efficient (zero carbon) modular buildings, subject to securing sufficient funding. Members are reminded that the constraint on increasing stock is still an issue of affordability, not the access to borrowing.

10. Capital Programme 2023/24

10.1. Full detail on this matter is included within in a separate agenda item on this meeting.

10.2. In summary, it shows that the 2023/24 programme includes projects expected to start in 2023/24 totalling £98,375k. In addition, there is £39,432 rolling forward from the current programme. The nature of capital projects means that they span more than one year, therefore, within this overall approval, £64,826k is expected as the Deliverable Budget for 2023/24.

10.3. The Deliverable Budget includes a significant investment in Housing, either through the HRA Housing delivery programme (£15,655k) or through 3 Rivers (£26,108k – subject to approval of a Business Plan). A prudent assumption has been included for the utilisation of 1-4-1 receipts or for additional grant funding to be made available from Homes England; although a substantial element of the cost remains with the Council.

10.4. In addition, plans continue with the HIF projects in Cullompton at a cost of £13,105k. The latest Levelling-Up bid was again rejected, therefore the associated funding is yet to be identified but the Council is actively pursuing all avenues. As with all capital projects, these are all subject to a full appraisal.

10.5. The most significant funding source required to support the 2023/24 programme is the £43,294k of assumed borrowing from the Public Works Loan Board (PWLB). The associated capital financing costs are included within the relevant GF or HRA budget. However, it should be recognised that wherever possible, the Council will continue to maximise its usage of internal borrowing to minimise the financing costs.

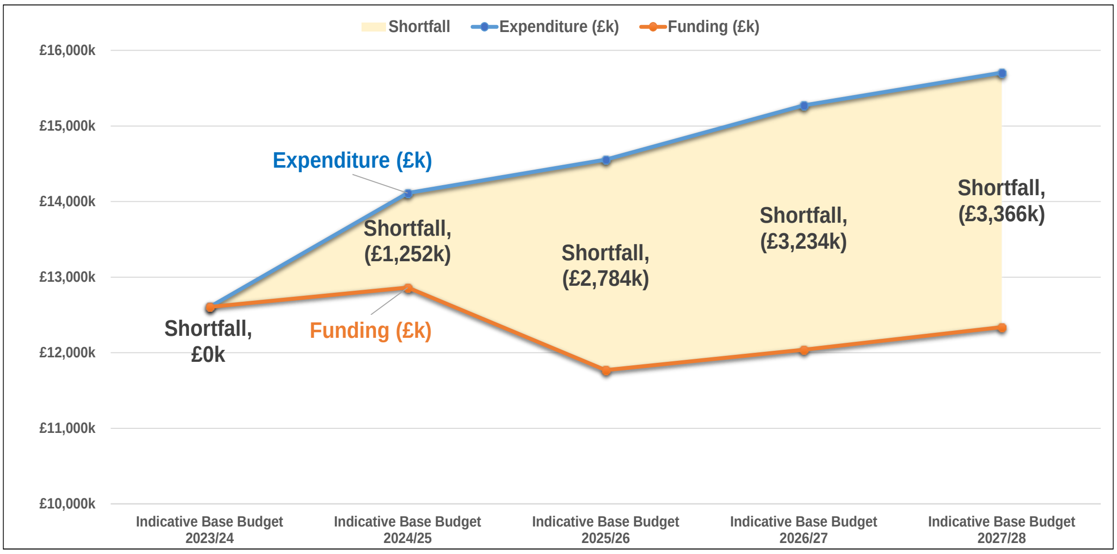
10.6. The future year's Capital Programme shows increased investment in improving the energy efficiency of our property estate and the continuation of investment to increase the HRA Housing stock. The overall borrowing requirement rises accordingly and therefore so does the capital financing costs within the Revenue Budget. These projects will be further refined over time and will be subject to sufficient funding being available.

11. Updated MTFP position

11.1. The new General Fund MTFP summary position is shown in the table below. It shows a cumulative shortfall of £3,366k over the remaining four-years of this MTFP which remains to be addressed.

Table 2 – Future Medium Term Financial Plan – General Fund

	2024/25 £k	2025/26 £k	2026/27 £k	2027/28 £k
Annual Surplus / Deficit	1,252	1,532	450	132
Cumulative Surplus/Deficit	**1,252**	**2,784**	**3,234**	**3,366**



11.2. The underlying budget shortfall falls largely in 2024/25 due to a reduced assumption of Earmarked Reserves supporting expenditure, and in 2025/26 due to the expectation of the implementation of the long overdue funding reforms. The latter years are forecast to be broadly more manageable.

11.3. This forecast position also makes a number of prudent assumptions, including:

- No new grant due to MDDC within the replacement New Homes Bonus Scheme and no further one-off allocations of NHB from 2025/26;
- A loss of historic growth in business rates above the baseline, on reset of the business rates system in 2025/26;

- No collection fund surplus or deficit from Council Tax or Business Rates until 2025/26;
- No Business Rates pooling income, which would probably not continue after a reset of the system;
- No further continuation of the allocation of Lower-Tier Services grant (initially announced as one-off);
- No grant funding continuing post 2025/26 other than the Rural Services Delivery Grant;
- The reduction in Council Tax referendum principles back to previous levels (£5 or 2%) from 2025/26;
- Pay Award and general inflation in line with assumptions reverting back to "normal" levels across the MTFP timeframe.

11.4. The same level of uncertainty will be facing all local authorities across the country.

12. Conclusion

General Fund

12.1. The General Fund budget has been set against a backdrop of over a decade of cuts to Public Sector funding, a global pandemic and now a once in a generation Cost of Living Crisis. However, the proposed balanced budget protects service delivery at current levels. This has been achieved with the use of a small amount of one-off funding from reserves and balances and that the vacancy management savings can be managed to minimise any impact on service delivery. However, further ongoing budget savings options will need to be identified to mitigate the underlying budget shortfall across the remainder of this MTFP.

12.2. Significant uncertainty remains for the future funding of Local Government. Further delays were announced to the outcomes of the Fair Funding Review and potential changes to both Business Rates and New Homes Bonus. These changes are now due in 2025/26.

HRA

12.3. The HRA budget for 2023/24 continues to address a number of important factors, such as the Post Grenfell and Fire Risk Assessment requirements and a marked increase in the overall number of units through significant investment. These investments continue across the whole 5-year MTFP period.

12.4. Rents are proposed to increase by 7% in line with the Government's guidance and neighbouring authorities. A prudent allowance has been made for voids and non-collection, in line with that applied to Council Tax, taking into account the current economic climate.

12.5. This report has set out a proposed balanced budget for the HRA for 2023/24, with appendices attached showing the following:

Appendix 4 – The overall makeup of the budget at summary level
Appendix 5 – The proposed rent and fees and charges for 2023/24

12.6. Similarly to the General Fund, the longer term position for the HRA shows the funding shortfall although not to the same degree. Along with 2023/24, 2024/25 is indicatively balanced with relatively small shortfalls in years 2025/26 to 2027/28, as follows:

Table 3 – Future Medium Term Financial Plan – HRA

	2024/25 £k	2025/26 £k	2026/27 £k	2027/28 £k
Annual Surplus / Deficit	0	62	193	212
Cumulative Surplus/Deficit	**0**	**62**	**255**	**468**

12.7. Work continues to refine the position in order to balance the budget for the years ahead.

Capital Programme

12.8. The Capital Programme for 2023/24 includes the beginning of a programme of significant investment in social and affordable housing. The capital MTFP also includes investment into improving the energy efficiency of our property estate, and in the economic regeneration of the district. However these projects, as with any capital project, are subject to the Council receiving sufficient grant funding and a robust business case.

12.9. Therefore assumptions are built in that the Council will be successful in attracting funding through the increasing number of bid schemes for grant funding. Additional borrowing is also projected which is forecast to increase our Capital Financing Requirement to c.£97m (see Treasury Management Strategy included elsewhere on this agenda), although wherever possible, this will be mitigated through maximising the use of internal borrowing. The Revenue MTFP includes the associated financing implications.

12.10. It is, therefore, imperative that capital funds are only spent on those projects that enable the Council to deliver its Corporate Plan objectives, reduce operational cost, or generate a financial return.

Future Budgets

12.11. The Council will need to prepare for the future in a timely manner and this is why it will continue to discuss how it can provide a wide range of services in a much reduced funding envelope. The process will continue to involve all staff, Members and our local residents/businesses.

12.12. Cabinet are asked to agree the contents of this report and recommended its approval by Council in February 2023.

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Paul Deal, Corporate Manager for Financial Services
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Circulation of the Report: Leadership Team, Cabinet

Background Papers: November & January Cabinet & PDG's (MTFP, Budget Draft and Budget Update reports)

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The Table below gives an overall summary of the Council's General Fund MTFP position (which includes a wide range of assumptions).

MTFP General Fund Summary

2022/23 £'000		Notes	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
14,785	**Net Direct Cost of Services**		16,720	15,356	15,918	16,416	16,973
(1,715)	Net recharge to HRA	1	(1,872)	(1,926)	(1,963)	(2,001)	(2,040)
687	Provision for Repayment of Borrowing	2	703	929	1,039	1,150	1,146
13,757	**Net Service Costs**		**16,720**	**15,356**	**15,918**	**16,416**	**16,973**
(993)	Net Interest Payable / (Receipts)	3	(1,532)	(1,365)	(1,585)	(1,745)	(1,745)
153	Finance Lease Interest Payable		180	200	126	116	106
(2,677)	Net Transfers to / (from) Earmarked Reserves	4	(1,594)	918	1,019	1,338	1,264
10,240	**Total Budget Requirement**		**12,606**	**14,113**	**14,554**	**15,274**	**15,704**
	Funded By:						
(1,855)	Retained Business Rates	5	(4,319)	(4,360)	(3,997)	(4,040)	(4,106)
0	Revenue Support Grant	6	(98)	(98)	0	0	0
(99)	Lower Tier Services Grant	6	0	0	0	0	0
(490)	Rural Services Delivery Grant	6	(490)	(490)	(490)	(490)	(490)
(719)	New Homes Bonus	6	(395)	(395)	0	0	0
(153)	2022/23 Services Grant	6	(86)	(86)	0	0	0
0	Funding Guarantee	6	(469)	(469)	0	0	0
(6,925)	Council Tax–MDDC	7	(6,749)	(6,963)	(7,284)	(7,510)	(7,742)
(10,240)	**Total Funding**		**(12,606)**	**(12,862)**	**(11,770)**	**(12,040)**	**(12,338)**
0	**Annual Shortfall – Increase / (Decrease)**		**0**	**1,252**	**1,532**	**450**	**132**
0	**Cumulative Shortfall**		**0**	**1,252**	**2,784**	**3,234**	**3,366**

Notes:

1. Recharges have been calculated based upon the updated salary budgets.
2. The Provision for Repayment of Borrowing incorporates the financial implications of the proposed Capital Programme shown in Appendix 4.
3. The increase in Net Interest Costs / (Receipts) reflects the increase in interest rates and a prudent assumption of the interest earnt from 3 Rivers Developments Ltd in line with the Business Plan. At present, no new external borrowing is forecast, which lowers the previous assumption in Interest Payable.
4. Net Transfers to / (from) Earmarked Reserves reflects planned contributions to, or drawdowns from reserves, including the balancing contribution of £58k from New Homes Bonus. The 2023/24 value includes the final drawdown from the Business Rates and Council Tax Smoothing Reserves to offset the loss caused by Covid-19 reliefs being applied (see Note 4).
5. The Retained Business Rates income has increased in 2023/24 due to growth and the revaluation. Income drops in 2025/26 to reflect the potential changes the Government might implement to the Business Rates Retention Scheme. These include Re-Baselining and Resource Equalisation.

6. The Government announced the Provisional Local Government Finance Settlement for 2023/24. It includes a funding guarantee that all Councils receive a 3% increase in “Core Spending” before taking into account any increases to Council Tax. The Council will received Revenue Support Grant again due to two other grants being transferred into the overall settlement consideration.
7. Council Tax income is forecast assuming Band D charge increases in line with the 3% referendum limit and the agreed Taxbase.

Service Unit	Direct Costs Detail	2022/23 Annual Budget £	MTFP Adjustment £	Round 1 Detailed Update £	Round 2 Detailed Update £	Provisional 2023/24 Budget £	Increase / (Decrease) £	%
	Cabinet							
SCM01	Leadership Team	534,019	1,152,454	(1,107,880)	12,780	**591,373**	57,354	10.7%
SCM02	Corporate Functions	108,465	40,028	26,964	4,130	**179,587**	71,122	65.6%
SCM03	Corporate Fees	258,730	200,065	(93,055)	(300,000)	**65,740**	(192,990)	(74.6%)
SCM06	Pension Backfunding	801,480	100,000	(254,906)	-	**646,574**	(154,906)	(19.3%)
SES01	Emergency Planning	7,500	-	-	-	**7,500**	0	0.0%
SFP01	Accountancy Services	478,460	128	39,044	10,960	**528,592**	50,132	10.5%
SFP02	Internal Audit	97,480	-	(2,720)	-	**94,760**	(2,720)	(2.8%)
SFP03	Procurement	101,340	24	7,480	1,480	**110,324**	8,984	8.9%
SFP04	Purchase Ledger	48,460	19	5,755	1,210	**55,444**	6,984	14.4%
SFP05	Sales Ledger	47,330	19	5,810	1,210	**54,369**	7,039	14.9%
SHR01	Human Resources	497,080	114	(49,780)	9,180	**456,594**	(40,486)	(8.1%)
SHR02	MDDC Staff Training	25,000	-	(5,000)	-	**20,000**	(5,000)	(20.0%)
SHR03	Payroll	40,960	13	2,100	1,060	**44,133**	3,173	7.7%
SHR04	Learning And Development	53,430	13	7,575	1,170	**62,188**	8,758	16.4%
SIT01	IT Gazetteer Management	76,400	26	4,840	1,880	**83,146**	6,746	8.8%
SIT03	IT Information Technology	1,260,750	(44,811)	(14,502)	14,970	**1,216,407**	(44,343)	(3.5%)
SLD01	Electoral Registration	218,278	52	131,732	2,870	**352,932**	134,654	61.7%
SLD02	Democratic Rep And Management	544,662	31,373	15,886	3,990	**595,911**	51,249	9.4%
SLD04	Legal Services	419,661	97	42,339	(43,250)	**418,847**	(814)	(0.2%)
SPR01	Building Regulations	17,390	166	17,761	(26,392)	**8,925**	(8,465)	(48.7%)
SPR04	Local Land Charges	(24,561)	24	(19,266)	1,297	**(42,506)**	(17,945)	73.1%
SRB01	Collection Of Council Tax	382,270	35,380	59,957	76,010	**553,617**	171,347	44.8%
SRB02	Collection Of Business Rates	(98,870)	-	11,660	-	**(87,210)**	11,660	(11.8%)
SRB03	Housing Benefit Admin & Fraud	180,920	89	29,480	10,540	**221,029**	40,109	22.2%
SRB04	Housing Benefit Subsidy	65,000	-	-	-	**65,000**	0	0.0%
SRB06	Debt Recovery	78,680	47	14,490	3,500	**96,717**	18,037	22.9%
TOTAL CABINET PDG		**6,220,314**	**1,515,320**	**(1,124,236)**	**(211,405)**	**6,399,993**	**179,679**	**2.9%**
	Community PDG							
SCD01	Community Development	138,500	-	-	-	**138,500**	0	0.0%
SCS20	Customer Services Admin	23,720	-	(5,490)	-	**18,230**	(5,490)	(23.1%)
SCS22	Customer First	725,598	506	28,700	16,609	**771,413**	45,815	6.3%
SES03	Community Safety - C.C.T.V.	16,390	5	41,390	-	**57,785**	41,395	252.6%
SES04	Public Health	3,990	-	(500)	-	**3,490**	(500)	(12.5%)
SES11	Pool Cars	1,884	967	(1,712)	(520)	**619**	(1,265)	(67.1%)
SES16	Public Health Staff Units/Recharges	792,330	32,192	(10,688)	18,040	**831,874**	39,544	5.0%
SES17	Community Safety	6,070	-	(2,200)	-	**3,870**	(2,200)	(36.2%)
SES18	Food Safety	(25,340)	6	10,500	-	**(14,834)**	10,506	(41.5%)
SES21	Licensing	24,030	61	(959)	4,010	**27,142**	3,112	13.0%
SES22	Pest Control	2,500	-	(1,500)	-	**1,000**	(1,500)	(60.0%)
SES23	Pollution Reduction	7,250	-	6,020	-	**13,270**	6,020	83.0%
SPR02	Enforcement	92,800	93	7,677	2,250	**102,820**	10,020	10.8%
SPR03	Development Control	587,570	(252,605)	117,104	27,476	**479,545**	(108,025)	(18.4%)
SPR09	Forward Planning	306,890	(84,578)	91,590	6,560	**320,462**	13,572	4.4%
SPR11	Regional Planning	234,760	31,740	3,000	-	**269,500**	34,740	14.8%
SRS01	Recreation And Sport	903,485	(25,935)	830,151	(305,985)	**1,401,716**	498,231	55.1%
TOTAL COMMUNITY PDG		**3,842,427**	**(297,548)**	**1,113,083**	**(231,560)**	**4,426,402**	**583,975**	**15.2%**
	Economy PDG							
SCD02	Economic Development	70,320	12,135	(5,494)	2,300	**79,261**	8,941	12.7%
SCP01	Parking Services	(489,680)	(105,475)	(70,355)	-	**(665,510)**	(175,830)	35.9%
SPR06	Economic Development	706,700	(150,495)	286,392	9,040	**851,637**	144,937	20.5%
SPS12	GF Properties Shops/Flats	(306,890)	2,178	112,762	-	**(191,950)**	114,940	(37.5%)
TOTAL ECONOMY PDG		**(19,550)**	**(241,657)**	**323,305**	**11,340**	**73,438**	**92,988**	**(475.6%)**

Appendix 2 - Detailed Budget Movements by Service

Service Unit	Direct Costs Detail	2022/23 Annual Budget £	MTFP Adjustment £	Round 1 Detailed Update £	Round 2 Detailed Update £	Provisional 2023/24 Budget £	Increase / (Decrease) £	%
	Environment PDG							
SES02	Cemeteries	(67,230)	1,701	33,160	130	**(32,239)**	34,991	(52.0%)
SES05	Open Spaces	180,190	3,162	211,947	(69,920)	**325,379**	145,189	80.6%
SGM01	Grounds Maintenance	559,523	14,808	27,665	(56,720)	**545,276**	(14,247)	(2.5%)
SPS01	Asset Management	188,310	15,343	(5,980)	1,390	**199,063**	10,753	5.7%
SPS03	Flood Defence And Land Drain	26,020	12	-	-	**26,032**	12	0.0%
SPS04	Street Naming & Numbering	8,070	2	(1,430)	81	**6,723**	(1,347)	(16.7%)
SPS05	Administration Buildings	425,140	89,103	139,162	-	**653,405**	228,265	53.7%
SPS06	MDDC Depots	499,720	35,316	(43,934)	-	**491,102**	(8,618)	(1.7%)
SPS07	Public Transport	(6,110)	1	(17,320)	-	**(23,429)**	(17,319)	283.5%
SPS09	Property Services Staff Unit	734,650	6,729	34,092	5,842	**781,313**	46,663	6.4%
SPS11	Public Conveniences	41,330	(27,725)	20,345	-	**33,950**	(7,380)	(17.9%)
SWS01	Street Cleansing	472,798	17,510	48,405	6,550	**545,263**	72,465	15.3%
SWS02	Waste Collection	435,192	134,846	100,246	13,760	**684,044**	248,852	57.2%
SWS03	Recycling	620,030	43,875	215,994	(24,730)	**855,169**	235,139	37.9%
SWS04	Waste Management	377,770	104	3,362	9,000	**390,236**	12,466	3.3%
TOTAL ENVIRONMENT PDG		**4,495,403**	**334,787**	**765,714**	**(114,617)**	**5,481,287**	**985,884**	**21.9%**
	Homes PDG							
SES15	Private Sector Housing Grants	(1,490)	-	(1,670)	-	**(3,160)**	(1,670)	112.1%
SHG03	Homelessness Accommodation	269,192	6,917	61,271	5,025	**342,405**	73,213	27.2%
TOTAL HOMES PDG		**267,702**	**6,917**	**59,601**	**5,025**	**339,245**	**71,543**	**26.7%**
	Net Direct Services Costs	**14,806,296**	**1,317,819**	**1,137,467**	**(541,217)**	**16,720,365**	**1,914,069**	**12.9%**
5000	Net Recharge to HRA	(1,714,560)	(85,728)	(71,942)	(11,580)	**(1,883,810)**	(169,250)	9.9%
6000	Capital Financing	686,660	(224)	16,828	-	**703,264**	16,604	2.4%
	Net Service Costs	**13,778,396**	**1,231,867**	**1,082,353**	**(552,797)**	**15,539,819**	**1,761,423**	**12.8%**
SIE03/6	Net Interest Costs /(Receipts)	(992,613)	(12,500)	(526,734)	-	**(1,531,847)**	(539,234)	54.3%
4115	Finance Lease Interest Payable	152,600	12,500	15,260	-	**180,360**	27,760	18.2%
4694	Transfers TO Earmarked Reserves	1,759,064	(629,764)	16,510	579,692	**1,725,502**	(33,562)	(1.9%)
7709	Transfers (FROM) Earmarked Reserves	(2,758,647)	1,342,917	(1,465,074)	(426,710)	**(3,307,514)**	(548,867)	19.9%
	Net Budget Requirement	**11,938,800**	**1,945,020**	**(877,685)**	**(399,815)**	**12,606,320**	**667,520**	**5.6%**
SIE11	Business Rates	(3,532,190)	(26,000)	(324,000)	(436,770)	**(4,318,960)**	(786,770)	22.3%
SIE08	Council Tax	(6,945,960)	192,430	(4,820)	9,320	**(6,749,030)**	196,930	(2.8%)
SIE10	Un-Ringfenced Grant Funding	(1,460,650)	-	-	(77,680)	**(1,538,330)**	(77,680)	5.3%
	Total Funding	**(11,938,800)**	**166,430**	**(328,820)**	**(505,130)**	**(12,606,320)**	**(667,520)**	**5.6%**
	Annual Shortfall	**0**	**2,111,450**	**(1,206,505)**	**(904,945)**	**0**	**0**	**0.0%**

2023/24 Transfers To / (From) Earmarked Reserves

Appendix 3

2023/24 BUDGETS
Transfers To Earmarked Reserves

SERVICE	EMR		Total
IE440	EQ659	NNDR SMOOTHING EMR	136,770
PS990	EQ685	FORE STREET MAINT S.FUND	5,000
PS992	EQ685	MARKET WALK MAINT S.FUND	20,000
CP540	EQ686	PAYING CAR PARKS (MACHINE REPLACEMENT SINKING FUND)	3,000
LD201	EQ720	ELECTION COSTS - DISTRICT	25,000
PR810	EQ728	STATUTORY DEVELOPMENT PLAN	120,000
EQ756	EQ756	FLEET CONTRACT FUND	639,600
GM/WS	EQ760	STREET SCENE SMALL PLANT	19,010
EQ761	EQ761	RECYCLING PLANT SFUND	30,000
EQ763	EQ763	RECYCLING MAINT SINKING FUND	2,700
PS880	EQ765	BUS STATION	5,000
ES100	EQ766	CEMETERIES	25,000
ES450	EQ767	PARKS & OPEN SPACES	25,000
RS140	EQ837	LEISURE SINKING FUND	75,000
PS980	EQ837	PROPERTY MAINTENANCE	311,580
PR100	EQ775	BUILDING CONTROL	5,420
PR200	EQ774	PLANNING LEGAL EXPENSE RESERVE	100,000
IT200	EQ749	BUSINESS SYSTEMS MIGRATION	50,000
TOTAL			**1,598,080**

2023/24 BUDGETS
Transfers (From) Earmarked Reserves

SERVICE	EMR	Description	TOTAL
CD200	EQ653	COMMUNITY DEVELOPMENT	(45,000)
EQ638	EQ638	DEV CONT LINEAR PARK	(4,170)
EQ640	EQ640	W52 POPHAM CLOSE COMM FUND	(1,950)
EQ641	EQ641	W67 MOORHAYES COM DEV FUND	(1,630)
EQ642	EQ642	W69 FAYRECROFT WILLAND EX WEST	(4,620)
EQ643	EQ643	W70 DEVELOPERS CONTRIBUTION	(6,650)
EQ644	EQ644	DEV CONT WINSWOOD CREDITION	(3,080)
CP530	EQ707	RESURFACING AMENITY CAR PARKS	(21,000)
CP540	EQ708	RESURFACING P&D & PERMIT CAR PARKS	(26,000)
EQ756	EQ756	FLEET CONTRACT FUND	(477,920)
RS100	EQ764	LEISURE MAINT SINKING FUND	(321,000)
CB100	EQ766	CEMETERY MAINT SINKING FUND	(80,000)
OS455	EQ767	PARK & OPEN SPACES MAINT SINKING FUND	(97,000)
PS991	EQ771	INDUSTRIAL UNIT SPECIFIC MAINT	(41,900)
IE420	EQ777	C/TAX SMOOTHING EMR	(62,401)
IE440	EQ659	NNDR RESERVE	(295,105)
PR225	EQ824	GARDEN VILLAGE PROJECT	(121,865)
PS810	EQ827	PHOENIX HOUSE MAINT	(144,000)
PS810	EQ828	PHOENIX HOUSE AIR CON	(6,400)
PS850	EQ829	OLD ROAD DEPOT	(35,000)
OS450	EQ837	PROPERTY MAINT RESERVE	(183,000)
PR400	EQ653	BUSINESS DEVELOPMENT	(80,000)
PR402	EQ653	CULLOMPTON HAZ	(218,143)
PR402	EQ652	CULLOMPTON HAZ	(199,633)
PR402	EQ722	CULLOMPTON HAZ	(5,098)
PR810	EQ728	STATUTORY DEVELOPMENT PLAN	(269,500)
PR400	EQ722	BUSINESS DEVELOPMENT	(51,640)
RB100/RB600	EQ787	NNDR NEW BURDENS	(16,950)
IT900	EQ655	IT PROJECT MANAGER	(46,863)
OS455	ER005	AMORY PARK	(10,000)
LD201	EQ720	DISTRICT ELECTIONS	(100,000)
LD300	EQ721	ELECTED MEMBERS TRAINING	(10,000)
LD201	EQ721	DISTRICT ELECTIONS	(15,000)
PH733/PH373	NEW CODE	HOMES FOR UKRAINE	(182,280)
	EQ660	Releasing of Reserves to fund the 2023/24 GF Budget	(80,722)
TOTAL			**(3,265,520)**

Net Transfer To / (From) Earmarked Reserves **(1,667,440)**

Proposed Transfer (From) NHB Reserve to Balance remaining deficit on 2023/24 Budget

	EQ653	NHB to fund the GF Deficit	(57,657)

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Appendix 4

Housing Revenue Account - by service

Code	Service Unit	Base Budget 2022/2023	Movement	Budget 2023/2024
		£	£	£
	Income			
SHO01	Dwelling Rents Income	(12,673,660)	(882,780)	(13,556,440)
SHO04	Non Dwelling Rents Income	(488,360)	790	(487,570)
SHO07	Leaseholders' Charges For Services	(29,000)	0	(29,000)
SHO08	Contributions Towards Expenditure	(80,920)	(109,580)	(190,500)
SHO10	H.R.A. Investment Income	(25,000)	(375,000)	(400,000)
SHO11	Miscellaneous Income	(7,000)	1,000	(6,000)
			0	
	Services		0	
SHO13A	Repairs & Maintenance	3,825,733	364,597	4,190,330
SHO17A	Housing & Tenancy Services	1,730,707	359,253	2,089,960
	Accounting entries 'below the line'		0	
SHO29	Bad Debt Provision	150,000	150,000	300,000
SHO30	Share Of Corp And Dem	173,900	(12,730)	161,170
SHO32	H.R.A. Interest Payable	1,077,320	154,960	1,232,280
SHO34	H.R.A. Trf To/From Emr	1,311,720	135,910	1,447,630
SHO37	Capital Receipts Reserve Adjustment	(20,800)	0	(20,800)
SHO38	Major Repairs Allowance	2,465,000	70,000	2,535,000
SHO45	Renewable Energy Transactions	(105,000)	(55,000)	(160,000)
	Total	**(2,695,360)**	**(198,580)**	**(2,893,940)**

Subjective analysis

Code	Best Value Unit	Base Budget 2022/2023	Movement	Draft Budget 2023/2024
1000	Employees	3,323,740	382,630	3,706,370
2000	Premises	267,900	179,440	447,340
3000	Transport	240,040	23,730	263,770
4000	Cost Of Goods And Services	6,929,300	630,190	7,559,490
7000	Income	(13,456,340)	(1,414,570)	(14,870,910)
	Total	**(2,695,360)**	**(198,580)**	**(2,893,940)**

Code	Best Value Unit	Base Budget 2021/2022	Movement	Draft Budget 2022/2023
5000	Internal Recharges	1,714,560	169,250	1,883,810
6000	Capital Charges	980,800	29,330	1,010,130
	Total	**2,695,360**	**198,580**	**2,893,940**
	Grand Total	**0**	**0**	**0**

Notes:

SHO01	Income assumption is a 7% increase for 2023/24. The increase is not 7% in real terms as the assumed Void and RTBs impact this.
SHO08	Forecast increase in rechargeable works by Building Services
SHO10	Returns on invested cash balances forecast to rise based on increased interest rates
	Salary inflation assumed at 5.5% for 2023/24, additionally the pay award for 2022/23 was above the original forecast of 2%. Net of increased DLO works (a reduction to the salary base) £454k has been built on to the base salary budget
SHO13A	**Waste/disposal** charges anticipated to increase significantly next year therefore have provided an additonal £111k to fund this
	Contractor/materials spend-provided an additional £70k to the budget, this may need to be revised further
	Vehicle costs-fuel inflation and a slight increase in the fleet lease charge £30k additional requirement
	Salary inflation assumed at 5.5% for 2023/24, additionally the pay award for 2022/23 was above the original forecast of 2% therefore £144k has been built into the 2023/24 budget
SHO17A	**Utilities** spend-due to the uncertainty around energy costs an additional £54k has been provided for
	Development Programme provision has been made for decant costs that may arise from in-year projects, £100k, additionally an increased budget for council tax charges on Housing properties that are temporarily void or held as part of the build programme, £85k
SHO29	As per the MTFP an additional £150k has been budgeted for in terms of bad/doubtful debts this is a provision to take account of the current cost of living pressures and to ensure the HRA is in a position to cope with any potential impact
SHO32	Forecast interest costs on future build programme (see Capital MTFP for details)
SHO34	Contributions to reserves: £50k towards vehicle cost sinking fund, £854k to the Loan deficit reserve, £160k to the Renewables reserve, £149k to the Affordable Rent Surplus reserve Based on the current budget forecast, a contribution to the Housing Maintenance reserve of £234k would be allowable
SHO38	This expenditure is budgeted in line with the planned Works Programme for the next year
SHO45	Expenditure forecast has been refined for 2023/24 therefore an increased contribution to the Renewable Energy reserve will be possible

Appendix 5

HRA Rent Budget 2023/24

Description	Average rent (52 week basis) £	Average properties 2023/24	Annual rent total £	Void level	Annual rent total (less voids)
Social rent (in use)	89.81	2,861	**13,362,770**	2.45%	13,035,860
Affordable rent properties	129.43	90	**605,732**	4.44%	578,810
TOTAL		**2,951**	**13,968,502**		**13,614,670**
Rent written off					(70,000)
Write-offs recovered					1,000
HO700 budget					**13,545,670**
Affordable rent surplus					**149,130**

HRA: Proposed Fees and Charges 2023/24

		2022/23	Increase	Increase %	2023/24
Garage rents per week (52 week basis)		£10.71	£0.00	0.00%	£10.71
It should be noted that council tenants receive a discount of £1.85 per week on any garage rent					
Garage ground rents	(Annual charge)	£275	£0	0.00%	£275

(charges shown exclude any applicable VAT)

	2022/23	2023/24
MDDC Formula Rent on average (52 weeks)	£83.99	**£89.88**

General Fund: (Community Alarms) Proposed Fees and Charges 2023/24

	2022/23	Increase	Increase %	2023/24
Private Clients (weekly charge)	£3.47	£0.17	4.90%	£3.64
Housing tenants (weekly charge) *(applies to existing tenants formerly under sheltered housing)*	£3.05	£0.15	4.92%	£3.20
Installation charge *(new clients)*	£30.00	£10.00	33.33%	£40.00

(charges shown exclude any applicable VAT)

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Cabinet
07 March 2023

2023/24 Budget

Cabinet Member: Cllr Barry Warren, Leader and Cabinet Member for Finance & Environment
Responsible Officer: Andrew Jarrett, Deputy Chief Executive (S151)

Reason for Report: This report provides the proposed budgets for the revised General Fund and the Housing Revenue Account for the year 2023/24 and recommends the Band D Council Tax charge for 2023/24.

RECOMMENDATIONS:

Cabinet are asked to recommend to Council the following:

1. **A Council Tax Requirement of £6,724,350 calculated using a Council Tax of £225.40 for a Band D property, an increase of £6.56 or 2.99% from 2022/23 and a Tax Base of 29,832.98, in accordance with the Local Authorities (Calculation of Tax Base) Regulation 1992, as amended, after the relevant adjustments in respect of the Council tax support scheme approved by Cabinet on 3 January 2023;**
2. **The overall budgeted Cost of Services within the General Fund of ~~£16,720,364~~ £16,830,364 for 2023/24 is approved as detailed across Appendices 1 – 2 and inclusive of the adjustments included within Table 1 in paragraph** Error! Reference source not found. **of the Cabinet Report for 7 February 2023;**
3. **The 2023/24 budget requires no transfer from the General Fund Balance and a further temporary transfer of £57,657 from the New Homes Bonus EMR in order to balance and agree all of the transfers to and from Earmarked Reserves as detailed in Appendix 3;**
4. **HRA budget for 2023/24 be approved – Appendix 4;**
5. **HRA fees/charges are approved based on the attached Appendix 5;**
6. **Work on strategic planning for delivering a balanced budget for 2024/25 is commenced immediately. This work will need to include provision to replenish the General Fund Balance and re-examine the overarching level of Reserves that is required.**

Additional recommendations arising from Full Council, 22 February 2023:

7. **Cabinet are asked to agree the inclusion within the budget the implications of the recommendations from Full Council as outlined in Section 2.1;**
8. **Cabinet agree to temporarily reduce the minimum level of General Reserves by £610k from its existing level (c.£2.2m) in order to balance the 2023/24 Budget and agree to identify a plan to replenish back to the £2m recommended minimum balance, as referenced in Section 2.3.**

Relationship to Corporate Plan: This budget delivers the Corporate Plan priorities within existing financial resources.

Financial Implications: This is a financial report and the implications are contained within it. This report proposes a balanced GF and HRA budget for 2023/24 without materially reducing service delivery. The Local Government Finance Act requires a balanced budget to be set by Friday10 March 2023.

Legal Implications: None directly arising from this report, although there is a legal obligation to balance the budget. There are legal implications arising from any future consequential decisions to change service provision, but these would be assessed at the time.

Risk Assessment: In order to comply with the requirement to set a balanced budget, management must ensure that the proposed savings are robust and achievable. We must also ensure that the assumptions we have used are realistic and prudent. Failure to set a robust deliverable budget puts the Council at risk of not being able to meet its commitments and casts doubt on its "going concern" and "Value for Money" status.

Equality Impact Assessment: There are no Equalities Impact implications relating to the content of this report. All Policy Development Group meetings have considered and made decisions based on summary feedback from the recently completed resident's survey.

Climate Change Assessment: The General Fund, Capital Programme and the Housing Revenue Account all contain significant investment in order to work towards the Council's Carbon Reduction Pledge.

1 Introduction

1.1. Full Council at its meeting on the 22 February 2023 decided not to approve the budget recommended by Cabinet on the 7 February 2023.

1.2. At the aforementioned meeting of Full Council it was agreed that General Fund budget should not include the level of car parking charges previously agreed or the financial implications of the 3rd Business Plan and 2 associated business cases provided by 3 Rivers Development Limited.

1.3. Also at this meeting revisions were agreed to the level of Member Allowances.

2.1. The original draft 2023/24 General Budget recommended to Full Council on the 22 February 2023 required a temporary transfer of £58k from the New Homes Bonus Reserve. As a direct consequence of the decisions made at this aforementioned Full Council meeting the budget will need to be adjusted as follows:

- **To resolve the recommendations made by Full Council (to not accept any of the 3 company business plans or the associated 2 business cases submitted by 3 Rivers Developments Ltd, but to fund to completion the development projects at St. Georges Court, Tiverton and Bampton;**

- **To reduce the Member Allowances budget by £40k based on the amended scheme agreed by Full Council;**

- **To reduce the Car Parking budget by £120k based on the initial recommendation made by the Economy PDG – which was based on increasing most fees/charges by price inflation. The Cabinet also needs to consider the likely implementation date and implications thereof;**

- **To include a provisional sum of £30k for the Council to commission an external review of 3Rivers in order to assist its decision making – this review will need to be clear on Member's requirements for the scope, options, timetable and advice that is being required.**

2.2. Due to the extremely tight timetable to make these final budget adjustments, it is fundamentally impractical to offer any other budget solution except utilising our General Fund Balances/Reserves.

2.3. Therefore, in order to set a balanced budget the Council will need to agree a temporary reduction of £610k from its current General Fund Balance which will need to have a plan as to how and over what period it will be replenished back to the £2.0m figure that was agreed at Full Council on the 22 February 2023 within the Council Tax Resolution paper. This will form part of the Medium Term Financial Plan exercise which will come back to Cabinet for consideration in October 2023.

2.4. Revised Appendices 1 and 2 are provided showing where the above adjustments are included.

3. Conclusion

3.1. Cabinet are asked to agree the contents of this report and recommended its approval by Council in March 2023.

Contact for more information:	Andrew Jarrett, Deputy Chief Executive (S151) 01884 234242 (ajarrett@middevon.gov.uk) Paul Deal, Corporate Manager for Financial Services pdeal@middevon.gov.uk
Circulation of the Report:	Leadership Team, Cabinet
Background Papers:	November, January & February Cabinet & PDG's reports (MTFP, Budget Draft and Budget Update reports)

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The Table below gives an overall summary of the Council's General Fund MTFP position (which includes a wide range of assumptions).

MTFP General Fund Summary

2022/23 £'000		**Notes**	**2023/24 £'000**	**2024/25 £'000**	**2025/26 £'000**	**2026/27 £'000**	**2027/28 £'000**
14,785	Net Direct Cost of Services – **Revised**	**(A)**	~~16,720~~ **16,830**	~~15,356~~ **15,436**	~~15,918~~ **15,998**	~~16,416~~ **16,496**	~~16,973~~ **17,053**
(1,715)	Net recharge to HRA	1	(1,872)	(1,926)	(1,963)	(2,001)	(2,040)
687	Provision for Repayment of Borrowing	2	703	929	1,039	1,150	1,146
13,757	**Net Service Costs – Revised**		~~**15,540**~~ **15,661**	~~**14,348**~~ **14,439**	~~**14,982**~~ **15,074**	~~**15,553**~~ **15,644**	~~**16,069**~~ **16,160**
(993)	Net Interest Payable / (Receipts) – **Revised**	3 **(B)**	~~(1,532)~~ **(1,032)**	~~(1,365)~~ **(865)**	~~(1,585)~~ **(1,085)**	~~(1,745)~~ **(1,245)**	~~(1,745)~~ **(1,245)**
153	Finance Lease Interest Payable		180	200	126	116	106
(2,677)	Net Transfers to / (from) Earmarked Reserves	4	(1,594)	918	1,019	1,338	1,264
0	**Transfer (from) General Reserves**	**(C)**	**(610)**	**0**	**0**	**0**	**0**
10,240	**Total Budget Requirement – Revised**		**12,606**	~~**14,113**~~ **14,693**	~~**14,554**~~ **15,134**	~~**15,274**~~ **15,854**	~~**15,704**~~ **16,284**
	Funded By:						
(1,855)	Retained Business Rates	5	(4,319)	(4,360)	(3,997)	(4,040)	(4,106)
0	Revenue Support Grant	6	(98)	(98)	0	0	0
(99)	Lower Tier Services Grant	6	0	0	0	0	0
(490)	Rural Services Delivery Grant	6	(490)	(490)	(490)	(490)	(490)
(719)	New Homes Bonus	6	(395)	(395)	0	0	0
(153)	2022/23 Services Grant	6	(86)	(86)	0	0	0
0	Funding Guarantee	6	(469)	(469)	0	0	0
(6,925)	Council Tax–MDDC	7	(6,749)	(6,963)	(7,284)	(7,510)	(7,742)
(10,240)	**Total Funding**		**(12,606)**	**(12,862)**	**(11,770)**	**(12,040)**	**(12,338)**
0	**Annual Shortfall – Increase / (Decrease) – Revised**		**0**	~~**1,252**~~ **1,832**	**1,532**	**450**	**132**
0	**Cumulative Shortfall – Revised**		**0**	~~**1,252**~~ **1,832**	~~**2,784**~~ **3,364**	~~**3,234**~~ **3,814**	~~**3,366**~~ **3,946**

REVISIONS following recommendations from Full Council (22 February 2023):

- **(A)** Car Parking revenue has been reduced by £120k in 2023/24 (on-going), Member's Allowances has been reduced by £40k (on-going) and £30k provision has been included for the external review of 3Rivers Developments Ltd (one-off).
- **(B)** Interest Receivable has been reduced by £500k in 2023/24 (on-going).
- **(C)** Transfers FROM General Reserves has increase by £610k in 2023/24. This is reversed in 2024/25 to reflect the replenishment of Reserves. A total of £1,400k of interest related to 3Rivers is included across the future MTFP (£382k in 2024/25, £416k in 2025/26, £301k in 2026/27 and £301k in 2027/28).

Notes:

1. Recharges have been calculated based upon the updated salary budgets.
2. The Provision for Repayment of Borrowing incorporates the financial implications of the proposed Capital Programme shown in Appendix 4.

3. The increase in Net Interest Costs / (Receipts) reflects the increase in interest rates ~~and a prudent assumption of the interest earnt from 3 Rivers Developments Ltd in line with the Business Plan.~~ At present, no new external borrowing is forecast, which lowers the previous assumption in Interest Payable.
4. Net Transfers to / (from) Earmarked Reserves reflects planned contributions to, or drawdowns from reserves, including the balancing contribution of £58k from New Homes Bonus. The 2023/24 value includes the final drawdown from the Business Rates and Council Tax Smoothing Reserves to offset the loss caused by Covid-19 reliefs being applied (see Note 4).
5. The Retained Business Rates income has increased in 2023/24 due to growth and the revaluation. Income drops in 2025/26 to reflect the potential changes the Government might implement to the Business Rates Retention Scheme. These include Re-Baselining and Resource Equalisation.
6. The Government announced the Provisional Local Government Finance Settlement for 2023/24. It includes a funding guarantee that all Councils receive a 3% increase in "Core Spending" before taking into account any increases to Council Tax. The Council will received Revenue Support Grant again due to two other grants being transferred into the overall settlement consideration.
7. Council Tax income is forecast assuming Band D charge increases in line with the 3% referendum limit and the agreed Taxbase.

Appendix 2 - Detailed Budget Movements by Service

Service Unit	Direct Costs Detail	2022/23 Annual Budget £	MTFP Adjustment £	Round 1 Detailed Update £	Round 2 Detailed Update £	Provisional 2023/24 Budget £	Increase / (Decrease) £	%
	Cabinet							
SCM01	Leadership Team	534,019	1,152,454	(1,107,880)	12,780	**591,373**	57,354	10.7%
SCM02	Corporate Functions	108,465	40,028	26,964	4,130	**179,587**	71,122	65.6%
SCM03	Corporate Fees	258,730	200,065	(93,055)	(270,000)	**95,740**	(162,990)	(63.0%)
SCM06	Pension Backfunding	801,480	100,000	(254,906)	-	**646,574**	(154,906)	(19.3%)
SES01	Emergency Planning	7,500	-	-	-	**7,500**	0	0.0%
SFP01	Accountancy Services	478,460	128	39,044	10,960	**528,592**	50,132	10.5%
SFP02	Internal Audit	97,480	-	(2,720)	-	**94,760**	(2,720)	(2.8%)
SFP03	Procurement	101,340	24	7,480	1,480	**110,324**	8,984	8.9%
SFP04	Purchase Ledger	48,460	19	5,755	1,210	**55,444**	6,984	14.4%
SFP05	Sales Ledger	47,330	19	5,810	1,210	**54,369**	7,039	14.9%
SHR01	Human Resources	497,080	114	(49,780)	9,180	**456,594**	(40,486)	(8.1%)
SHR02	MDDC Staff Training	25,000	-	(5,000)	-	**20,000**	(5,000)	(20.0%)
SHR03	Payroll	40,960	13	2,100	1,060	**44,133**	3,173	7.7%
SHR04	Learning And Development	53,430	13	7,575	1,170	**62,188**	8,758	16.4%
SIT01	IT Gazetteer Management	76,400	26	4,840	1,880	**83,146**	6,746	8.8%
SIT03	IT Information Technology	1,260,750	(44,811)	(14,502)	14,970	**1,216,407**	(44,343)	(3.5%)
SLD01	Electoral Registration	218,278	52	131,732	2,870	**352,932**	134,654	61.7%
SLD02	Democratic Rep And Management	544,662	31,373	15,886	(36,010)	**555,911**	11,249	2.1%
SLD04	Legal Services	419,661	97	42,339	(43,250)	**418,847**	(814)	(0.2%)
SPR01	Building Regulations	17,390	166	17,761	(26,392)	**8,925**	(8,465)	(48.7%)
SPR04	Local Land Charges	(24,561)	24	(19,266)	1,297	**(42,506)**	(17,945)	73.1%
SRB01	Collection Of Council Tax	382,270	35,380	59,957	76,010	**553,617**	171,347	44.8%
SRB02	Collection Of Business Rates	(98,870)	-	11,660	-	**(87,210)**	11,660	(11.8%)
SRB03	Housing Benefit Admin & Fraud	180,920	89	29,480	10,540	**221,029**	40,109	22.2%
SRB04	Housing Benefit Subsidy	65,000	-	-	-	**65,000**	0	0.0%
SRB06	Debt Recovery	78,680	47	14,490	3,500	**96,717**	18,037	22.9%
TOTAL CABINET PDG		**6,220,314**	**1,515,320**	**(1,124,236)**	**(221,405)**	**6,389,993**	**169,679**	**2.7%**
	Community PDG							
SCD01	Community Development	138,500	-	-	-	**138,500**	0	0.0%
SCS20	Customer Services Admin	23,720	-	(5,490)	-	**18,230**	(5,490)	(23.1%)
SCS22	Customer First	725,598	506	28,700	16,609	**771,413**	45,815	6.3%
SES03	Community Safety - C.C.T.V.	16,390	5	41,390	-	**57,785**	41,395	252.6%
SES04	Public Health	3,990	-	(500)	-	**3,490**	(500)	(12.5%)
SES11	Pool Cars	1,884	967	(1,712)	(520)	**619**	(1,265)	(67.1%)
SES16	Public Health Staff Units/Recharges	792,330	32,192	(10,688)	18,040	**831,874**	39,544	5.0%
SES17	Community Safety	6,070	-	(2,200)	-	**3,870**	(2,200)	(36.2%)
SES18	Food Safety	(25,340)	6	10,500	-	**(14,834)**	10,506	(41.5%)
SES21	Licensing	24,030	61	(959)	4,010	**27,142**	3,112	13.0%
SES22	Pest Control	2,500	-	(1,500)	-	**1,000**	(1,500)	(60.0%)
SES23	Pollution Reduction	7,250	-	6,020	-	**13,270**	6,020	83.0%
SPR02	Enforcement	92,800	93	7,677	2,250	**102,820**	10,020	10.8%
SPR03	Development Control	587,570	(252,605)	117,104	27,476	**479,545**	(108,025)	(18.4%)
SPR09	Forward Planning	306,890	(84,578)	91,590	6,560	**320,462**	13,572	4.4%
SPR11	Regional Planning	234,760	31,740	3,000	-	**269,500**	34,740	14.8%
SRS01	Recreation And Sport	903,485	(25,935)	830,151	(305,985)	**1,401,716**	498,231	55.1%
TOTAL COMMUNITY PDG		**3,842,427**	**(297,548)**	**1,113,083**	**(231,560)**	**4,426,402**	**583,975**	**15.2%**
	Economy PDG							
SCD02	Economic Development	70,320	12,135	(5,494)	2,300	**79,261**	8,941	12.7%
SCP01	Parking Services	(489,680)	(105,475)	(70,355)	120,000	**(545,510)**	(55,830)	11.4%
SPR06	Economic Development	706,700	(150,495)	286,392	9,040	**851,637**	144,937	20.5%
SPS12	GF Properties Shops/Flats	(306,890)	2,178	112,762	-	**(191,950)**	114,940	(37.5%)
TOTAL ECONOMY PDG		**(19,550)**	**(241,657)**	**323,305**	**131,340**	**193,438**	**212,988**	**(1,089.5%)**

Appendix 2 - Detailed Budget Movements by Service

Service Unit	Direct Costs Detail	2022/23 Annual Budget £	MTFP Adjustment £	Round 1 Detailed Update £	Round 2 Detailed Update £	Provisional 2023/24 Budget £	Increase / (Decrease) £	%
	Environment PDG							
SES02	Cemeteries	(67,230)	1,701	33,160	130	**(32,239)**	34,991	(52.0%)
SES05	Open Spaces	180,190	3,162	211,947	(69,920)	**325,379**	145,189	80.6%
SGM01	Grounds Maintenance	559,523	14,808	27,665	(56,720)	**545,276**	(14,247)	(2.5%)
SPS01	Asset Management	188,310	15,343	(5,980)	1,390	**199,063**	10,753	5.7%
SPS03	Flood Defence And Land Drain	26,020	12	-	-	**26,032**	12	0.0%
SPS04	Street Naming & Numbering	8,070	2	(1,430)	81	**6,723**	(1,347)	(16.7%)
SPS05	Administration Buildings	425,140	89,103	139,162	-	**653,405**	228,265	53.7%
SPS06	MDDC Depots	499,720	35,316	(43,934)	-	**491,102**	(8,618)	(1.7%)
SPS07	Public Transport	(6,110)	1	(17,320)	-	**(23,429)**	(17,319)	283.5%
SPS09	Property Services Staff Unit	734,650	6,729	34,092	5,842	**781,313**	46,663	6.4%
SPS11	Public Conveniences	41,330	(27,725)	20,345	-	**33,950**	(7,380)	(17.9%)
SWS01	Street Cleansing	472,798	17,510	48,405	6,550	**545,263**	72,465	15.3%
SWS02	Waste Collection	435,192	134,846	100,246	13,760	**684,044**	248,852	57.2%
SWS03	Recycling	620,030	43,875	215,994	(24,730)	**855,169**	235,139	37.9%
SWS04	Waste Management	377,770	104	3,362	9,000	**390,236**	12,466	3.3%
TOTAL ENVIRONMENT PDG		**4,495,403**	**334,787**	**765,714**	**(114,617)**	**5,481,287**	**985,884**	**21.9%**
	Homes PDG							
SES15	Private Sector Housing Grants	(1,490)	-	(1,670)	-	**(3,160)**	(1,670)	112.1%
SHG03	Homelessness Accommodation	269,192	6,917	61,271	5,025	**342,405**	73,213	27.2%
TOTAL HOMES PDG		**267,702**	**6,917**	**59,601**	**5,025**	**339,245**	**71,543**	**26.7%**
	Net Direct Services Costs	**14,806,296**	**1,317,819**	**1,137,467**	**(431,217)**	**16,830,365**	**2,024,069**	**13.7%**
5000	Net Recharge to HRA	(1,714,560)	(85,728)	(71,942)	(11,580)	**(1,883,810)**	(169,250)	9.9%
6000	Capital Financing	686,660	(224)	16,828	-	**703,264**	16,604	2.4%
	Net Service Costs	**13,778,396**	**1,231,867**	**1,082,353**	**(442,797)**	**15,649,819**	**1,871,423**	**13.6%**
SIE03/6	Net Interest Costs /(Receipts)	(992,613)	(12,500)	(526,734)	500,000	**(1,031,847)**	(39,234)	4.0%
4115	Finance Lease Interest Payable	152,600	12,500	15,260	-	**180,360**	27,760	18.2%
4694	Transfers TO Earmarked Reserves	1,759,064	(629,764)	16,510	579,692	**1,725,502**	(33,562)	(1.9%)
7709	Transfers (FROM) Earmarked Reserves	(2,758,647)	1,342,917	(1,465,074)	(426,710)	**(3,307,514)**	(548,867)	19.9%
0	Transfers (FROM) General Reserves	-	-	-	(610,000)	**(610,000)**	(610,000)	0.0%
	Net Budget Requirement	**11,938,800**	**1,945,020**	**(877,685)**	**(399,815)**	**12,606,320**	**667,520**	**5.6%**
SIE11	Business Rates	(3,532,190)	(26,000)	(324,000)	(436,770)	**(4,318,960)**	(786,770)	22.3%
SIE08	Council Tax	(6,945,960)	192,430	(4,820)	9,320	**(6,749,030)**	196,930	(2.8%)
SIE10	Un-Ringfenced Grant Funding	(1,460,650)	-	-	(77,680)	**(1,538,330)**	(77,680)	5.3%
	Total Funding	**(11,938,800)**	**166,430**	**(328,820)**	**(505,130)**	**(12,606,320)**	**(667,520)**	**5.6%**
	Annual Shortfall	**0**	**2,111,450**	**(1,206,505)**	**(904,945)**	**0**	**0**	**0.0%**