



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE COUNCIL

WEDNESDAY 22ND FEBRUARY 2023

AT 6.00 P.M.

PARKSIDE SUITE - PARKSIDE

MEMBERS: Councillors R. J. Light (Chairman), A. J. B. Beaumont (Vice-Chairman), S. J. Baxter, S. R. Colella, R. J. Deeming, G. N. Denaro, S. P. Douglas, A. B. L. English, M. Glass, S. G. Hession, C.A. Hotham, R. J. Hunter, R. E. Jenkins, H. J. Jones, A. D. Kent, J. E. King, A. D. Kriss, L. C. R. Mallett, K.J. May, M. Middleton, P. M. McDonald, S. A. Robinson, H. D. N. Rone-Clarke, M. A. Sherrey, C. J. Spencer, P.L. Thomas, M. Thompson, J. Till, K. J. Van Der Plank, S. A. Webb and P. J. Whittaker

AGENDA

WELCOME

1. **To receive apologies for absence**

2. **Declarations of Interest**

To invite Councillors to declare any Disclosable Pecuniary Interests or Other Disclosable Interests they may have in items on the agenda, and to confirm the nature of those interests.

3. **To confirm the accuracy of the minutes of the meeting of the Council held on 25th January 2023 (Pages 9 - 30)**

4. **To receive any announcements from the Chairman and/or Head of Paid Service**

5. **To receive any announcements from the Leader**

6. **To receive comments, questions or petitions from members of the public**
(Pages 31 - 32)

A period of up to 15 minutes is allowed for members of the public to make a comment, ask questions or present petitions. Each member of the public has up to 3 minutes to do this. A councillor may also present a petition on behalf of a member of the public.

7. **Urgent Decisions**

8. **Independent Remuneration Panel Recommendations 2023/24** (Pages 33 - 50)

9. **Recommendations from the Cabinet meeting held on 15th February 2023**
(to follow)

Members are asked to note that under the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014, the Council is required to take a named vote when a decision is made on the budget calculation at a budget decision meeting of the Council.

(i) Alternative Budgets (Pages 51 - 56)

Members are asked to note that under the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014, the Council is required to take a named vote when a decision is made on the budget calculation at a budget decision meeting of the Council. This includes any votes in respect of any alternative budgets that are proposed.

10. **Recommendations from the Cabinet meeting held on 22nd February 2023** (to follow)

Members are asked to note that under the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014, the Council is required to take a named vote when a decision is made on the Council Tax at a budget decision meeting of the Council.

Under Section 106 of the Local Government Finance Act 1992, any Councillor who is 2 or more months in arrears with their Council tax payments cannot participate in any item at the Council meeting concerning the budget.

11. **Background Information on the recommendations from the Cabinet**

(i) Pay Policy Statement 2023/24 (Pages 57 - 68)

(ii) 2023/24 Budget and Medium Term Financial Plan 2023/24 to 2025/26 (Including Treasury Management Strategy and Capital Programme)
(Pages 69 - 124)

(iii) Council Tax Resolutions 2023/24 (to follow)

12. **To note the minutes of the meeting of the Cabinet held on 15th February 2023** (to follow)

13. **Questions on Notice** (Pages 125 - 126)

To deal with any questions on notice from Members of the Council, in the order in which they have been received.

A period of up to 15 minutes is allocated for the asking and answering of questions. This may be extended at the discretion of the Chairman with the agreement of the majority of those present.

14. **Motions on Notice** (Pages 127 - 128)

A period of up to one hour is allocated to consider the motions on notice. This may only be extended with the agreement of the Council.

15. **To consider any urgent business, details of which have been notified to the Head of Legal, Democratic and Property Services prior to the commencement of the meeting and which the Chairman, by reason of special circumstances, considers to be of so urgent a nature that it cannot wait until the next meeting**

K. DICKS
Chief Executive

Parkside
Market Street
BROMSGROVE
Worcestershire
B61 8DA

14th February 2023

If you have any queries on this Agenda please contact
Jess Bayley-Hill and Jo Gresham

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GUIDANCE ON FACE-TO-FACE MEETINGS

At the current time, seating at the meeting will be placed in such a way as to achieve as much space as possible for social distancing to help protect meeting participants.

Please note that this is a public meeting.

If you have any questions regarding the agenda or attached papers, please do not hesitate to contact the officer named above.

GUIDANCE FOR ELECTED MEMBERS ATTENDING MEETINGS IN PERSON

Members and Officers who still have access to lateral flow tests (LFTs) are encouraged to take a test on the day of the meeting. Meeting attendees who do not have access to LFTs are encouraged not to attend the meeting if they have if they have common cold symptoms or any of the following common symptoms of Covid-19 on the day of the meeting; a high temperature, a new and continuous cough or a loss of smell and / or taste.

PUBLIC SPEAKING

The usual process for public speaking at Committee meetings will continue to be followed subject to some adjustments which allow written statements to be read out on behalf of residents and the virtual participation of residents at meetings of Council and Planning Committee. Members of the public are encouraged to log in virtually, either to speak or observe meetings wherever possible. Members of the public will be able to access the meeting if they wish to do so.

Members of the public who still have access to lateral flow tests (LFTs) are encouraged to take a test on the day of the meeting. Meeting attendees who

do not have access to LFTs are encouraged not to attend the meeting if they have common cold symptoms or any of the following common symptoms of Covid-19 on the day of the meeting; a high temperature, a new and continuous cough or a loss of smell and / or taste.

Notes:

Although this is a public meeting, there are circumstances when Council might have to move into closed session to consider exempt or confidential information. For agenda items that are exempt, the public are excluded.



INFORMATION FOR THE PUBLIC

Access to Information

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- You can inspect agenda and public reports at least five days before the date of the meeting.
- You can inspect minutes of the Council, Cabinet and its Committees/Boards for up to six years following a meeting.
- You can have access, upon request, to the background papers on which reports are based for a period of up to six years from the date of the meeting. These are listed at the end of each report.
- An electronic register stating the names and addresses and electoral areas of all Councillors with details of the membership of all Committees etc. is available on our website.
- A reasonable number of copies of agendas and reports relating to items to be considered in public will be made available to the public attending meetings of the Council, Cabinet and its Committees/Boards.
- You have access to a list specifying those powers which the Council has delegated to its Officers indicating also the titles of the Officers concerned, as detailed in the Council's Constitution, Scheme of Delegation.

You can access the following documents:

- Meeting Agendas
- Meeting Minutes
- The Council's Constitution

at www.bromsgrove.gov.uk

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BROMSGROVE DISTRICT COUNCIL

MEETING OF THE COUNCIL

WEDNESDAY 25TH JANUARY 2023, AT 6.00 P.M.

PRESENT: Councillors R. J. Laight (Chairman), A. J. B. Beaumont (Vice-Chairman), S. R. Colella, R. J. Deeming, G. N. Denaro, S. P. Douglas, A. B. L. English, M. Glass, S. G. Hession, C.A. Hotham, R. J. Hunter, J. E. King, A. D. Kriss, L. C. R. Mallett, K.J. May, M. Middleton, P. M. McDonald, S. A. Robinson, H. D. N. Rone-Clarke, C. J. Spencer, P.L. Thomas, M. Thompson, J. Till, S. A. Webb and P. J. Whittaker

Officers: Mr. K. Dicks, Mr P. Carpenter, Mrs. C. Felton, Mrs. R. Bamford, Mrs. J. Bayley-Hill and Mrs J. Gresham

71\22

TO RECEIVE APOLOGIES FOR ABSENCE

Apologies for absence were received on behalf of Councillors S. Baxter, R. Jenkins, H. Jones, A. Kent, M. A. Sherrey and K. Van Der Plank.

72\22

DECLARATIONS OF INTEREST

There were no declarations of interest.

73\22

TO CONFIRM THE ACCURACY OF THE MINUTES OF THE MEETING OF THE COUNCIL HELD ON 7TH DECEMBER 2022

The minutes of the meeting of Council held on 7th December 2022 were submitted.

During consideration of this item Councillor C. Hotham highlighted that Councillor S. Baxter was a member of the National Association of Local Councils (NALC) and not the Royal Council of Parish Councils as stated in Minute number 59/22.

In addition to this the Portfolio Holder for Finance and Governance stated that the Council's insurer had been contacted, as requested at the last meeting, and that the Council's insurance providers were aware of the no assurance audits and that the insurance policy was still valid. In

response to further Member queries, the Interim Section 151 Officer confirmed that this was the case.

RESOLVED that, subject to the amendment as detailed in the preamble above, the minutes of the meeting of Council held on 7th December 2022 be approved as a true and accurate record.

74\22

TO RECEIVE ANY ANNOUNCEMENTS FROM THE CHAIRMAN AND/OR HEAD OF PAID SERVICE

The Chairman reported to Members that in response to a letter of condolence sent following the death of Her Royal Majesty Queen Elizabeth II, the Council had received a reply from His Royal Majesty King Charles III thanking Bromsgrove District Council for the kind words at such a sad time. The Chairman informed Council that it was his intention to have the reply framed and to gift it to the Council for future reference.

There were no announcements from the Head of Paid Service on this occasion.

75\22

TO RECEIVE ANY ANNOUNCEMENTS FROM THE LEADER

There were no announcements from the Leader at the meeting.

76\22

TO RECEIVE COMMENTS, QUESTIONS OR PETITIONS FROM MEMBERS OF THE PUBLIC

There were no comments, questions or petitions from the public for consideration at the meeting.

77\22

URGENT DECISIONS

The Chairman confirmed that there had been no urgent decisions taken since the previous meeting of Council.

78\22

CHANGES TO COMMITTEE MEMBERSHIP

The Chairman informed Council that Councillor S. Colella had replaced Councillor K. Van Der Plank for the Bromsgrove Independent Group as a Member of the Audit, Standards and Governance Committee.

Councillor C. Hotham was invited to speak, as leader of the Bromsgrove Independent Group, and in doing so he thanked Councillor Van Der

Plank for her long service on the Audit, Standards and Governance Committee and wished Councillor Colella success for the future as the new Chairman of the Committee.

RESOLVED that the changes to the Committee membership, as detailed in the preamble above, be noted.

79\22

TO RECEIVE AND CONSIDER A REPORT FROM THE PORTFOLIO HOLDER FOR LEISURE, CULTURAL SERVICES AND CLIMATE CHANGE

The Portfolio Holder for Leisure, Cultural Services and Climate Change presented an annual report which outlined the work that had been undertaken under his remit as portfolio holder over the preceding 12 months.

Council was informed that consideration of the report would be taken in two parts: the first being the Leisure and Cultural Services area followed by the Climate Change Services area.

Members were advised that there were Strategic Purposes aligned to Leisure and Cultural Services and that the main progress, since the last report, was the launch of the Leisure Strategy in October 2022. It was explained that the strategy had provided vision and detailed the aims for the Council in this area and supported individuals in shaping their own leisure activities. Information was provided in respect of the recommendations contained within the strategy that had already been achieved.

The Portfolio Holder for Leisure, Cultural Services and Climate Change explained to Members that there had been a number of activities that had taken place over the year, which had included the Queen's Baton Relay in Sanders Park as part of the Commonwealth Games, the Green Fair and the light show which took place in Sanders Park in Autumn 2022.

Council was informed that there had been several partnership initiatives designed to encourage physical activity and sports participation among residents in the District. It was noted that external funding of £46,610, had been received from the Department of Education to fund these sessions.

During the presentation of the Leisure and Cultural Services area of the report, reference was made to the key milestones for the future. These

included the development of a capital investment plan for enhancing parks and open spaces, working to establish a volunteer plan and a clear approach to working with Friends groups and the launch of a pilot project for self-management of allotment sites across the District. In addition to this, it was reported to Members that the Council was looking to deliver a pilot project to understand how the Council managed land and could deliver Biodiversity Net Gains.

Following the presentation of this section of the report, Members discussed the following points in detail:

- How the £2,500 grants were planned to be used by Cultural Compact. It was reported that the grants had been received from Arts Council England and specific details were not available for each project. However, Members were informed that Cultural Compact were a partner of Bromsgrove District Council and therefore work would be undertaken in partnership. Members also expressed an interest in the work that was being undertaken with partners outside of the District e.g. Redditch and Birmingham. It was highlighted to Members that it was important to work with a range of partners, inside and outside of the District, in order to provide wide ranging activities and to help deliver the Leisure and Culture Strategy outcomes.
- Whether there was the potential to keep the 'Bromsgrove Pound' in the District. For example, the use of the sailing facilities in Upton Warren were commented on and Members questioned whether there would be more financial benefit by utilising the sailing club at Barnt Green which was located within the District. The importance of the Leisure Strategy was again referred to and in particular the need for communities to shape their ambitions. Members were encouraged to contact community leaders to understand how best to carve out ambition and to see what their needs were alongside the strategy.
- Whether the Street Theatre events that had taken place previously would return. Council was informed that Members could engage with their residents to understand if there was an appetite for these kinds of events or whether the funds would be better utilised for other events. It was noted that, as part of the Bromsgrove Centres Strategy, which had been approved in January 2023, improved joined up working would be undertaken in the future and that Members could contact the Bromsgrove Centres Manager for further information and potential plans for the future.

Agenda Item 3

Council
25th January 2023

- The establishment of Walking Football and Couch to 5k in Hagley. Members congratulated the Portfolio Holder for providing the residents with these activities and commented that it had been welcomed by the residents. However, Members questioned how the short breaks for young people with disabilities had been allocated. Members were advised that Officers would be asked to obtain further information on this subject.
- Section 106 funding and how it was allocated. Members were keen to understand how Section 106 funding was allocated and it was mentioned that in recent housing developments it appeared that the monies had already been allocated with little consultation. It was reiterated to Members that they played a key part in the communities they represented and that they could provide information in this area. It was also hoped that the capital plan for enhancing parks and open spaces, as outlined in the Portfolio Holder's report, would provide a more strategic approach to the use of Section 106 and other funding. It was suggested by some Members that there was a need for the redevelopment of parks and open spaces in and around the Town Centre and Members were encouraged to speak to Officers regarding this matter.
- Meetings of The Artrix Holding Trust. It was highlighted that there had been a limited numbers of meetings during the 2022/23 municipal year. Members were advised that whilst there was Officer led support given to the Holding Trust, ultimately it was the Holding Trust who had responsibility under the Trust Deed for determining its future. It was explained that Members and representatives from Heart of Worcestershire (HoW) College who sat on the Trust were due to meet in February 2023; in order to consider the work that had been carried out by external consultants on the future viability of the site. Members understood that there would inevitably be local interest in the Artrix, but the Council could not interfere at this stage of the process. It was confirmed that the Artrix Holding Trust must be allowed to carry out their duties and provide a mandate for moving forward.
- The self-management of allotments. There were some queries as to whether the pilot would result in the Council not carrying out its obligations in respect of allotments. However, it was confirmed that this plan would be designed in the hope that those using the allotments would be able to have more control over their own future.
- The suggestion that there needed to be more varied cultural event opportunities within the District that were targeted at specific demographics, particularly older people who lived in Bromsgrove District.

Following a detailed debate, the Portfolio Holder for Leisure, Cultural Services and Climate Change presented the annual update on the Climate Change service area.

Council was informed that Bromsgrove District Council had declared a Climate Change Emergency in 2019 and that as a result of this the Carbon Reduction Strategy was introduced in October 2022. It was reported that the delay in the introduction of the Strategy had been due to the Covid-19 pandemic and as it was important to ensure that the plan was robust and effective. Members were advised that included in the Strategy was an aim to achieve a 50% reduction in carbon dioxide by 2023 and net zero by 2040.

Reference was made to the key activities included within the report. These included the Salix grant funding received in order to install low carbon heating and PV solar panels at The Artrix. In addition to this, further information was provided on the introduction of solar panels at Parkside, the purchase of green energy for the Council, the Green Fair that had taken place in Sanders Park and the use of hydrotreated vegetable oil (HVO) in the Council's diesel fleet. It was explained that the use of HVO was a measure that had been implemented as work was currently being undertaken in respect of replacing the Council's fleet with electric or hydrogen vehicles. It was noted that this would be costly, and that further investigation in this emerging market was needed in order to ensure the Council was making the most appropriate choice when replacing the fleet.

In terms of the key milestones for the next period, Members were informed that the Council would look to support Bromsgrove District Housing Trust (BDHT) in applying for funding to improve the efficiency of housing stock and to set up a rolling programme of works to improve energy efficiency in Council buildings with the highest consumption.

Members were advised that additional staffing resource was required in this area and that the Council would be looking to recruit a Senior Climate Change Officer in February 2023 and a Graduate Climate Change Officer during 2023. The Portfolio Holder for Leisure, Cultural Services and Climate Change extended his thanks to Mr. A. Pearson from West Midlands Net Zero Hub, who had provided support in the development of the Council's Carbon Reduction Plan.

Following the presentation of the Climate Change section of the report, Members discussed the following points in detail:

- Strategic purposes aligned to Climate Change. Within the report it stated that the current strategic purpose aligned to Climate Change was that of 'Communities that are safe, well maintained and green'. However, it was suggested that it might not be the most appropriate strategic purpose in relation to Climate Change. Instead, it was suggested that an additional strategic purpose potentially could be added which included reference to carbon neutrality. This was noted as something that could be looked at in the future.
- Achieving a 50% reduction in carbon emissions by 2030. Members queried whether this would be achievable as stated within the report. Council was informed that it was difficult to ascertain during such a turbulent period including a cost of living crisis, the war in Ukraine and the consequences of the Covid-19 pandemic whether the target would still be achievable. However, it was what the strategy aimed to achieve.
- The use of HVO in the Council's fleet. Members queried how the estimated carbon saving of 530 CO₂ through the use of HVO had been calculated. Officers undertook to provide this information and circulate it to Members.
- Supporting BDHT in their applications for funding. Members queried what support was provided for BDHT in retrofitting public and private sector housing, particularly when looking at EPC ratings in these sectors. It was explained that there were limited powers in this area, however, partnership working with BDHT was a key milestone and had been included in the strategy as an action for the future.

Following the detailed discussion some Members expressed their views that they were pleased to hear the successes and hoped that residents would support the Carbon Reduction Strategy. It was noted, however, that there could be some further work in promoting the initiatives on the website and through social media campaigns.

RESOLVED that the report be noted.

80\22

RECOMMENDATIONS FROM THE CABINET

The Chairman advised that four recommendations had been made at the meeting of the Cabinet held on 18th January 2023, which had been highlighted for Council's consideration.

CCTV Digitalisation Upgrade

The Leader presented the recommendation in respect of the CCTV Digitalisation Upgrade and in doing so, explained that this recommendation had been made by the Overview and Scrutiny Board at the meeting held on 21st November 2022; as a result of receiving a report from Officers. Members were advised that it was recommended that £48,600 be included in the Capital Programme and £6,030 per annum in the revenue budget as part of the review of the Medium Term Financial Plan for the upgrade of CCTV cameras at Brook Road (Rubery), Wythall and Alvechurch.

The recommendation was proposed by Councillor K. May and seconded by Councillor G. N Denaro.

RESOLVED that £48,600 be included in the Capital Programme and £6,030 per annum in the revenue budget as part of the review of the Medium Term Financial Plan for the upgrade of CCTV cameras at Brook Road (Rubery), Wythall and Alvechurch.

Council Tax Support Scheme

The Portfolio Holder for Finance and Governance presented the report on the Council Tax Support Scheme. Members were advised that in October 2022, the Council had agreed to go out to consultation on an updated Council Tax Reduction Scheme. It was explained that the Council had received advice from its consultants that no Councils were reducing their Council Tax Reduction Schemes, and that many were increasing them to a scheme similar to the one Bromsgrove Council had introduced in 2021.

Council was advised that, having taken into account the Cost of Living crisis, Bromsgrove, Redditch and Wyre Forest were all increasing the support available to eligible residents in their schemes. However the three remaining Worcestershire Councils were not making any changes to their schemes.

It was reported that in the updated scheme, the Council was increasing its discount bands by 5% each and that certain childcare charges and critical payments would be disregarded in order for the scheme to be open to more residents.

Members were advised that the consultation period for the new Council Tax Support Scheme had now closed and that 87 responses had been received. This, it was noted, was an increase from the 55 responses

received during the previous consultation. Of the 87 responses received, Members were informed that 65% agreed with the widening of the bands, 82% agreed with the disregard to childcare payments and 80% agreed to disregarding critical payments.

The Portfolio Holder for Finance and Governance reported that Worcestershire County Council (WCC), as the major preceptor, had provided a view on the proposals. This was as follows:

“Whilst we would support in principle the ambition for many of the changes to your Council Tax Reduction Schemes, the net council tax income would reduce and that would mean the impact, however small, would ultimately be felt on the overall resources available across other district areas outside of Bromsgrove District Council and Redditch Borough Council. We would not encourage any cross subsidy and would ask that its impact is minimised or avoided if possible”

Members were advised that the Council had accepted this point from WCC. However it was highlighted that non-payment of Council Tax was likely to increase due to the present cost of living crisis. This would result in higher levels of default, in turn impacting on the precepting authorities with lower levels of income and the requirement to rectify in the following financial year through the collection fund. It was noted that although there were currently no definitive figures available, the proposed change would mitigate a degree of this risk and enable more of the families on low incomes in the District to pay reduced amounts, which would be a benefit to the precepting authorities.

Council was advised that the overall additional cost involved in the proposal was estimated to be £131k, with Bromsgrove District Council's proportion totalling £17k (13%).

Following the presentation of the report Members commented that this was a positive step forward in relation to the Council Tax Reduction Scheme and that the Finance and Budget Scrutiny Working Group had looked at this in detail prior to its consideration at this meeting.

The recommendations were proposed by Councillor G. N Denaro and seconded by Councillor K. May.

RESOLVED that Council approve the introduction of a revised and more supportive Council Tax Reduction scheme for working age applicants with effect from 1st April 2023 in line with the following:

The scheme be designed to assist the lowest income households and to allow the Council to operate the scheme more flexibly by:

- (a) Increasing the maximum level of support for working age applicants in certain income bands and to increase the income levels within the 'income -grid' scheme. Both of these changes are designed to provide more support to low income households;
- (b) Disregarding certain child care charges where an applicant (and their partner if they have one) are working more than 16 hours per week;
- (c) To disregard certain payments paid to taxpayers under special schemes (Local Welfare Provision); and
- (d) Where the Government makes emergency increases to national welfare benefits to assist in a crisis, the scheme would give the Council the discretion to disregard those increases if they had a negative effect of Council Tax Reduction.

Worcestershire Regulatory Services Board – Budget 2023/24 Recommendations

The Portfolio Holder for Planning and Regulatory Services presented the report in respect of the Worcestershire Regulatory Services (WRS) Board – Budget 2023/24 Recommendations. In doing so, Council was informed that there had been a WRS Board meeting on 17th November 2022, at which Board Members agreed to uplifts to the 2022/23 and future budgets due to the increases to the national pay award and cost of living crisis.

Members were advised that the overall increase in 2022/23 of £18,861 was due to the pay award and also additional hosting charges. The increase in salaries, took into account the 2022/23 pay award and a 2% increase for future years, increases in rent and hosting charges as well as pension back funding. It was reported that there were no inflationary increases in supplies nor in services and transport.

Council was informed that WRS would increase charges by 5% across the County in 2023/24 and that Bromsgrove District Council accounted for 14.52% (£510k) of the overall £3,507k base budget.

Following the presentation of the report, Members queried the amount paid by the Council for hosting charges and if there might be an opportunity to reduce the rent due to Officers working from home. It was reported that there was a contractual agreement in place, however

Officers undertook to find out the exact amount currently paid for rent and to provide this information to Members.

The recommendations were proposed by Councillor P.L. Thomas and seconded by G. N Denaro.

RESOLVED that

- 1) WRS contributions be increased by £18,861 in 2022/23 due to the national pay award of £1,925 per pay point and increases in hosting costs due to the “cost of living” crisis; and
- 2) WRS Budget contributions be increased to £510,000 in 2023/24 to take account of pay awards and the impact of the “cost of living” crisis.

81\22

TO NOTE THE MINUTES OF THE MEETING OF THE CABINET HELD ON 18TH JANUARY 2023 (TO FOLLOW)

During consideration of this item, it was confirmed that the Bromsgrove Centres Strategy 2023/2026 was concerned only with the eight Centres in Bromsgrove District and was not a shared strategy with Redditch Borough Council.

The minutes of the Cabinet meeting held on 18th January 2023 were noted.

82\22

QUESTIONS ON NOTICE (TO FOLLOW)

The Chairman explained that 4 Questions on Notice had been received for the meeting. However, 1 had been answered during the update from the Portfolio Holder for Leisure, Cultural Services and Climate Change and the Member proposing that Question, Councillor R. Hunter, had agreed that it would no longer be considered during this item.

Council was informed that a period of up to 15 minutes was allocated for the asking and answering of questions and that the Questions would be considered in the order they had been submitted.

Question submitted by Councillor J. King

“I understand that some bus operators in Bromsgrove have not introduced the £2 cap on single bus fares this month and that this falls short of the promises made by the Secretary of State last September?”

As Leader of this Council will you make representations to the local transport authority to see if the policy can be extended to all bus operators in Bromsgrove?”

The Leader responded to the question and in doing so advised Members that the Government had announced funding to help bus operators to cap single adult fares at £2 per journey from January to March 2023. It was explained that the move was to help passengers with travel costs for work, education, shopping and medical treatments over the winter months while facing pressures from the rising cost of living.

Members were advised that the introduction of this scheme sat with the Department for Transport (DfT). It was explained that it was optional for operators to sign up, and WCC had no powers to compel operators to take part in the scheme. The Leader noted that it was regrettable that the predominate operator in Bromsgrove, Diamond Buses, had decided not to take part in the scheme. However, Members were advised that the Leader was aware that WCC were in constant communication with Diamond Buses and that the matter would be raised with the Cabinet Member for Highways and Transport at Worcestershire County Council.

Question submitted by Councillor S. Robinson

“I am concerned that the introduction of the requirement for voter ID for the first time in this coming May’s local elections represents a threat to our democratic right to vote. As well as the information provided on BDC’s website and social media, what are you going to do to reach out to all our community and make sure nobody in Bromsgrove is prevented from voting because they cannot provide ID?”

The Portfolio Holder for Finance and Governance provided a response and in doing so explained that the Electoral Commission were running an extensive campaign on the changes in voting and how an elector could get a free voter authority certificate if they had no accepted form of photo ID. Furthermore, the Electoral Commission had provided a suite of resources for Councils to use.

Council was informed that Officers were drawing up a communications strategy which would include providing information in the Council Tax leaflet, Voter ID booklets, (which would be available at the Council offices, libraries and for any individuals who made enquiries), an email reminder (where Electoral Services held an email address), and they would also provide information that campaigners could use in the run up to the May 2023 elections.

Members were reminded that Officers had provided a Member briefing on the detail surrounding this and that they had advised that this would be a living document so when new initiatives occurred, they could be considered and acted on. It was confirmed that the suggestion made at the Member briefing held on 10th January 2023 would be investigated and Officers in Electoral Services welcomed any further suggestions.

Question submitted by Councillor A. English

“Throughout my Ward I often get queries about missing wheelie bins and have heard that the bin lorries sometimes ‘eat’ the bins. Does the portfolio holder for Environmental Services and Community Safety know how many bins disappear in this way and how much this costs the Council?”

In the absence of the Portfolio Holder for Environmental Services and Community Safety, a response was provided by the Portfolio Holder for Planning and Regulatory Services. It was reported to Members that 1,150 replacement green recycling bins had been delivered during 2022 to residents across the District. This was either due to the bin being lost during collection or reported as missing. In addition to this, it was reported that 1,288 grey residual waste bins had also been delivered during 2022. It was clarified that during this same timeframe, the Council had emptied approximately 2,058,000 wheeled bins, which equated to a loss rate of approximately 0.12% of bins being emptied.

Council was informed that bins could be lost for a number of reasons. These were reported as follows:

- failure of the plastic bin due to plastic becoming brittle over time and/or excessive weight in the bin.
- mechanical failure on the lifting mechanism that secured the bin whilst upside down; or
- operative error when loading a bin onto the lifter.

Furthermore, it was explained that wheeled bins were introduced across the District in 2004, therefore a large number of the Council’s bins were now quite old which increased the risk of failure and/or incremental wear on the area clamped by the bin lifters. It was explained that budgets were in place to support replacement bins for this reason. Members were advised that this was a known problem faced by all Local Authorities operating wheeled bin services.

Finally, it was reported that once a wheeled bin had fallen into the rear of a vehicle, it was not possible to retrieve it safely and therefore the bin had to be replaced.

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MOTIONS ON NOTICE (TO FOLLOW)

The Chairman explained that 4 Motions on Notice had been received for consideration at this meeting, including 1 urgent Motion on Notice submitted by Councillor Robinson.

It was explained that in advance of the meeting, it had been agreed by the Councillors who had submitted their Motions, that the order in which they would be considered would be changed from that shown in the supplementary agenda pack. Therefore, Members would start by considering Councillor McDonald's Motion, followed by Councillor Robinson's Motion, before then going back to Councillor Hotham's Motion and ending with Councillor Hunter's Motion. Members were informed that this change had been made to ensure that the urgent Motion could be considered earlier in the meeting.

Excess Winter Deaths

Council considered the following Motion on Notice that was submitted by Councillor P. McDonald:

"The Office for National Statistics recorded a six-fold increase in excess winter deaths last winter — 63,000 compared to 10,320 in winter 2020/21. Many of the excess deaths were attributed to cold related illnesses including pneumonia. This shows just how seriously the economic crisis is impacting on our oldest and most vulnerable and teachers spotting the signs that pupils haven't eaten.

Many fear a repeat of last winter's increase in the number of excess winter deaths, with many facing unprecedented threats to their health amid the cost-of-living crisis. With many parts of Bromsgrove slowly sinking into poverty.

That this Council calls on the Cabinet to set up a 'Doorstep Engagement Unit' as a pioneering response to this unfolding financial crisis and includes the finances to support this in the budget setting process."

The Motion was proposed by Councillor McDonald and seconded by Councillor H. Rone-Clarke.

In proposing the Motion, Councillor McDonald commented that due to the current cost of living crisis residents were subject to soaring energy prices and increased mortgage repayments. As a result, many households were living in fuel poverty, with a large proportion of these being lone parent households and those who were the most vulnerable.

It was with this in mind that the Motion was being proposed and the suggestion of 'doorstep engagement' would enable increased human contact at a time of need for some families. Members were informed that this initiative would also provide an opportunity for residents to share any difficulties they were experiencing and to be provided with information regarding support and any benefits available.

In seconding the Motion, Councillor Rone-Clarke suggested that the increased deaths were due to increased levels of cold, flu and pneumonia and that this could be linked to poorly insulated housing and the cost of living crisis. Furthermore, that 'doorstep engagement' with local residents would be a positive step for people living within the District.

The Leader responded to this Motion and in doing so queried the data analysis that had been used. Members were informed that the data was from the Census 2021 Data analysis, and whilst the excess winter mortality index in England was significantly higher than all winters since the series began in 1991 to 1992; COVID-19 was the leading cause of excess winter mortality in 2020 to 2021 accounting for 85% of all excess winter deaths in England. As a result, it was stated that this data was not directly linked to the current economic challenges taking place nationally, and that the current cost of living challenges had begun in February 2022 when the war in Ukraine had commenced.

Members were informed that the Council continued to work proactively with partner organisations to support residents in this unfolding financial crisis through a Cost of Living Group chaired by the Chief Executive. In addition to this, it was stated that the Group was established to work together to support residents as effectively as possible in a joined up way and was always willing to consider any ideas. Further information was provided regarding the membership of the Cost of Living Group, which included the following:

- Citizens Advice Bromsgrove and Redditch
- Act on Energy
- BDHT
- Age UK Bromsgrove

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- Redditch and Wyre Forest, Foodbanks
- WCC
- The Department for Work and Pensions
- NewStarts
- Library services
- Public Health, Bromsgrove Primary Care Trust (PCN)
- Churches Together
- Officers from various teams within the District Council

The Leader reported that the Cost of Living Group recognised that there was a lot of support available both nationally and locally. However, this in itself could be confusing for residents to navigate. As a result, it was confirmed that a cost of living leaflet had been created, alongside a digital campaign and the creation of Cost of Living webpages on the Council's website. The aim it was to signpost residents to key agencies and support. A more detailed leaflet was also devised by the Starting Well Team, aimed predominately at families.

Council was informed that both the 'at a glance' and more detailed leaflets had been distributed by Council Officers, Councillors and partner organisations, in order to ensure it was available in as many venues and settings as possible. Efforts had been specifically made in order to reach those who may be digitally excluded, and the leaflet therefore included phone numbers alongside web links. It was highlighted to Members that a second version of the cost of living leaflet was currently being devised for inclusion in the Council Tax notification which would be issued to all households.

Further information was provided regarding additional support agreed by the Cost of Living Group. This included the Cost of Living / Wellbeing Support Events that had taken place in the larger libraries across the County. Of particular note, was an event due to take place at Bromsgrove Library on Friday 27th January 2023 from 10am to 1pm. It was reported that this event would offer residents in-person advice, guidance, and support from partner organisations in one place. The Group were also keen to consider how they could facilitate further events across the District.

The Leader explained that through the Household Support Fund, Bromsgrove residents who were struggling with the cost of household essentials could access support with food, energy and other household costs. These specifically were noted as follows:

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- Act on Energy who could help with energy costs, energy debt and broken heating systems; and
- Citizens Advice Bromsgrove and Redditch, who were working closely with Bromsgrove District Council's Financial Inclusion Team and were helping residents who were struggling and needed support with food and wider essentials, alongside their usual debt and advice services.

In addition, Council was advised that there was extra support for eligible pensioners, carers of any age and people with disabilities or long term health conditions. Furthermore, Worcestershire Advice Network (WAN) was working with WCC to identify those who were eligible for an additional £75 voucher. It was clarified that Citizens Advice Bromsgrove and Redditch and Age UK Bromsgrove, Redditch and Wyre Forest were part of WAN and were also part of the Cost of Living Group, helping to ensure a joined up approach, therefore ensuring eligible residents benefited from this extra support.

Further information was provided in respect of BDHT, who, it was confirmed, were working with the Council and proactively identified and supported local residents who needed extra support.

Members were advised that the community builders had information to use, as appropriate, when engaging with residents, as well as a wide range of partner organisations and Councillors too, through the Cost of Living Partnership bulletins to help ensure anyone living or working in the District knew how to access support should they need it.

The Leader highlighted that a cost of living survey, devised by Bromsgrove District Council with the help of partner organisations via the Cost of Living Partnership Group, was being launched in January 2023 to help obtain further information from local residents in order to help draw up an action plan to ensure that every area was being investigated in order to alleviate pressures being faced by residents during this challenging time.

Members were informed that partner organisations were keen to support the setting up of a social supermarket, and NewStarts were leading on this work looking at the best model for Bromsgrove. Further information was provided in respect of the potential for a pilot to run out of one of the foodbanks, with a desire to also consider how this could support the Environment with a reduction in food waste. It was hoped that this pilot would commence in February 2023.

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The Leader confirmed that vulnerable households were being targeted by the Bromsgrove Primary Care Network (PCN), through the social prescribing services and that data was also being used to target communication. Information was also provided regarding discussions with WCC, Bromsgrove PCN and Act on Energy as the Council had requested Bromsgrove District be part of a 'warm home prescription' pilot in Worcestershire. It was reported that, should this pilot go ahead, it would be supported by social prescribing services and would involve GPs identifying vulnerable people with both cold-sensitive health conditions and low incomes who needed help to stay warm and well at home.

Members were further advised that an initiative, similar to the proposed Doorstep Engagement scheme, was undertaken during Covid-19 using volunteers. However, it was noted that the number of volunteers had significantly declined over the last 12 months. Therefore, it was stated that continuing the existing approach of partnership working was an effective way in supporting residents at this time.

During the debate, some Members thanked Officers for the provision of the cost of living flyers and explained that they had been a very useful tool when engaging with their communities and that Members were already in a position to engage with their residents on their doorsteps and provide information supplied on the flyer. It was suggested that a number of excess deaths during this period could be attributed to Dementia. However some Members commented that this could be attributed to failures in social care provision nationally.

There was also a discussion regarding the Fuel Poverty Task Group's investigation, which had taken place in 2022 and had seen successful results through engagement with partner organisations and health experts in order to tackle Fuel Poverty.

In summing up, Councillor McDonald suggested that although the information provided had highlighted the positives, there were many residents suffering at this time as a result of the cost of living.

At this point in the meeting, Councillor Mallett raised a Point of Order in respect of the chairmanship of the meeting. He explained that he had felt that Councillor Laight, in his role as Chairman, had curtailed the speaking time of some of the Members. It was with this in mind that he proposed a vote of no confidence in the Chairman. Officers confirmed

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that, as per the Constitution, this could be proposed at the next meeting of the Council in a formal Motion on Notice if he so wished.

In accordance with Procedure Rule 18.3 a recorded vote was taken on Councillor McDonald's Motion and the voting was as follows:

Members voting FOR the Motion:

Councillors P. McDonald, L.C.R Mallett and H. Rone-Clarke (3)

Members voting AGAINST the Motion:

Councillors A. Beaumont, R. Deeming, G.N Denaro, M, Glass, S. Hession, A. Kriss, K. May, M. Middleton, P. Thomas, M. Thompson, J. Till, S. Webb and P. Whittaker (13).

Members ABSTAINING in the vote on the Motion:

Councillors S. Colella, S. Douglas, A. English C. Hotham, R. Hunter, J. King and S. Robinson (7).

The vote on the Motion was therefore lost.

The Ryland Centre – Urgent Motion

The following Notice of Motion was submitted in accordance with Procedure Rule 10.4 by Councillor S. Robinson:

“Council calls on the cabinet to urgently explore opportunities for keeping the Ryland Centre in public ownership and commission a business case to establish whether BDC can take over its management.”

In proposing the Motion, Councillor Robinson explained that the Ryland Centre was an asset to the community that provided accessible and reasonably priced facilities. In addition, the running track, provided a facility for local schools. Councillor Robinson explained that she understood there were covenants on the site regarding its use for sport and youth only, however, she felt it was important to understand what this meant for the community and whether there was a potential to interpret the covenants differently should a third party take ownership of the site in the future.

Council was informed that the Motion was in respect of the preparation of a business case to better understand whether there was the potential

for the Council to take ownership of the site in the future. Councillor Robinson explained that she felt that there was a lot at stake for the local community, including local netball clubs who used the facilities and that the centre needed to be protected.

The Motion was proposed by Councillor Robinson and seconded by Councillor Hunter.

The Leader responded to the Motion and explained that Sandwell Leisure Trust (SLT) had given notice to WCC, the owners of the site, that they would cease their contract to deliver services at the Ryland Centre on 31st March 2023. At that time, a new provider would need to start delivery of services/ownership of the site as from 1st April 2023, as WCC did not want an ongoing liability.

Council was informed that following conversations with WCC, in November 2022 significant works were required on the running track. This included re-laying in the medium term, drainage works which were linked to changing rooms not being able to be used and the building itself. The County Council had to show best value in selling these assets and so could not transfer them to Bromsgrove District Council at no cost. The current estimate for the works was between £500k to £1m, and it was reported that these works would need to be undertaken very quickly. In addition, given the requirement for the Energy Efficiency of Council buildings to be in the top 3 ratings by 2026, there was also the potential of works having to be undertaken in this area as well. Therefore, should the Council purchase the site, the cost effectiveness of delivery of the service with these costs, even with them spread over multiple years, would be questionable.

As stated earlier in the meeting, it was confirmed that there were covenants on the site which limited its use to sport and youth. As Sport England had part funded the track, if the site were to be used for another reason, an equivalent sports centre would need to be built as a replacement.

The County Council had indicated that there was a potential buyer who understood the site and would deliver these works, meaning that WCC would not have the ongoing liability for the works or the site. This would mean upgraded facilities for users. It was reported that the key point for the Council and residents of Bromsgrove was negotiation of Community Use Agreements in liaison with WCC for ongoing access to the facilities to ensure continued access.

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During the debate, consideration was given to the appropriateness of public discussion of this Motion due to potentially commercially sensitive information being raised. However, in summing up, Councillor Robinson, confirmed that there was no need to discuss specific information as it was merely about commissioning a business case to better understand whether taking ownership of the Ryland Centre was a viable proposition for the Council going forward.

In accordance with Procedure Rule 18.3 a recorded vote was taken on this Motion and the voting was as follows:

Members voting FOR the Motion:

Councillors S. Colella, S. Douglas, A. English C. Hotham, R. Hunter, J. King, P. McDonald, L.C.R Mallett H. Rone-Clarke and S. Robinson (10)

Members voting AGAINST the Motion:

Councillors A. Beaumont, R. Deeming, G.N Denaro, M, Glass, S. Hession, A. Kriss, K. May, M. Middleton, P. Thomas, M. Thompson, J. Till, S. Webb and P. Whittaker (13).

Members ABSTAINING in the vote on the Motion:

(0).

The vote on the Motion was therefore lost.

Following consideration of this Motion and as the time limit for consideration of Motions had been exceeded, in accordance with Council Procedure rule 10.16 a vote was taken by the Council, and it was agreed not to consider the remaining two Motions at this meeting. Instead, Members were advised that these Motions would be considered at the following meeting of Council.

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TO CONSIDER ANY URGENT BUSINESS, DETAILS OF WHICH HAVE BEEN NOTIFIED TO THE HEAD OF LEGAL, DEMOCRATIC AND PROPERTY SERVICES PRIOR TO THE COMMENCEMENT OF THE MEETING AND WHICH THE CHAIRMAN, BY REASON OF SPECIAL CIRCUMSTANCES, CONSIDERS TO BE OF SO URGENT A NATURE THAT IT CANNOT WAIT UNTIL THE NEXT MEETING

In accordance with Council Procedure Rule 7, the Chairman advised Members that he had accepted, as an item of urgent business,

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consideration of nominations to fill a vacant seat on the Artrix Holding Trust as an outside body appointment. This vacancy had arisen following Councillor M. Middleton's resignation from the Trust. This appointment had been accepted as urgent business as there was scheduled to be a meeting of the Trust prior to the next meeting of Council and there was a need to ensure that this meeting would be quorate.

Council was invited to consider nominations and to agree the appointment of a Member to fill this vacant seat.

During consideration of this item a nomination was received for Councillor J. King.

On being put to the vote, this nomination was carried and therefore it was

RESOLVED that Councillor J. King be appointed to fill a vacant seat on the Artrix Holding Trust as an outside body appointment.

The meeting closed at 8.40 p.m.

Chairman

**Bromsgrove District Council – 22nd February 2023
Questions from the Public**

**1. From Ms S. Wheeler
Question for the Leader**

“I would like to know what measures will be taken to prevent land that is currently undergoing development on Whitford from creating flooding issues on Whitford Road, Timberhonger Lane and Sanders Park?”

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Report of the Independent Remuneration Panel – recommendations for members’ allowances for 2023-24 and the members allowances scheme

Relevant Portfolio Holder		Cllr May, Leader and Portfolio Holder for Economic Development, Regeneration and Strategic Partnerships; Cllr Denaro, Deputy Leader and Portfolio Holder for Finance and Governance
Portfolio Holder Consulted		Yes
Relevant Head of Service		Claire Felton
Report Author	Job Title: Darren Whitney Contact email: darren.whitney@bromsgroveandredditch.gov.uk Contact Tel: 01527 881650	
Wards Affected		All
Ward Councillor(s) consulted		N/A
Relevant Strategic Purpose(s)		N/A
Non-Key Decision		
If you have any questions about this report, please contact the report author in advance of the meeting.		

1. RECOMMENDATIONS

The Council is asked to RESOLVE

1.1 whether or not to accept all, some or none of the recommendations of the Independent Remuneration Panel for 2023-24;

1.2 having considered the Panel’s report and recommendations, whether or not changes are required to the Council’s scheme of allowances for Members arising from this.

2. BACKGROUND

2.1 Each Council is required by law to have an Independent Remuneration Panel (IRP) which recommends the level of allowances for Councillors. The Panel is made up of suitably skilled members of the public who are completely independent of the District Council. It also makes recommendations to four other District Councils in Worcestershire. The Panel’s report is enclosed for consideration by Council.

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- 2.2 The panel recommends basic allowances, special responsibility allowances (SRA), travel, subsistence and dependent carer allowances.

3. FINANCIAL IMPLICATIONS

- 3.1 If the Council makes changes to the current amounts of allowances there will be additional budgetary costs. If the Council implements all the recommendations of the IRP budgetary costs across the year would be increased in the region of £6,400; if the current multipliers are used but the proposed basic allowance is accepted the increase will be approximately £4,300. This does not include Chairs of overview and scrutiny task groups as they are paid pro rata for the length of the task group.
- 3.2 The upcoming budget will need to reflect any changes made from the recommendations in this report and the future costs will need to be covered in the medium term financial plan.

4. LEGAL IMPLICATIONS

- 4.1 The Council is required to “have regard” to the recommendations of the Panel. However, it is not obliged to agree to them. It can choose to implement them in full or in part, or not to accept them.
- 4.2 If the Council decides to review its scheme of allowances for Councillors, it is also required to take into account recommendations from the Panel before doing so.

5. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

- 5.1 None as this report deals with statutory functions.

Climate Change Implications

- 5.2 None in this report.

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

- 6.1 None in this report.

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Operational Implications

- 6.2 Apart from the Leader of the Council the IRP recommends that Political Group Leaders receive an SRA. Currently Bromsgrove District Council pays an SRA to the Leader of the largest opposition political party elected at the ballot box and Leader(s) of other political groups (not applicable to the Leader of the Council) with a minimum of four members. This has recently been challenged that all Group Leaders, apart from the Leader of the Council should receive an SRA regardless of the size of the group as the IRP recommends.
- 6.3 There are no direct service or operational implications arising from this report. Once the Council has agreed the allowances for 2023-24 Officers will update and publish the Members' Allowances Scheme as appropriate.

7. RISK MANAGEMENT

- 7.1 Payments to Councillors can be a high profile issue. The main risks are reputational. However, the Council is transparent about the decisions made on allowances. The Allowances scheme and sums paid to Councillors each year are published on the Council's website.

8. APPENDICES and BACKGROUND PAPERS

Report and recommendations from the Independent Remuneration Panel for 2023-24.

Background papers:

Members Allowances Scheme – in the Council Constitution at part 19:

<https://moderngovwebpublic.bromsgrove.gov.uk/ieListDocuments.aspx?CId=329&MId=3839&Ver=4>

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9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Councillor Geoff Denaro	1 st February 2023
Lead Director / Head of Service	Claire Felton Head of Legal, Democratic and Property Services	18 Jan 2023
Financial Services	Victoria Swashorme Finance Services Manager	13 Jan 2023
Legal Services	Claire Felton Head of Legal, Democratic and Property Services	18 Jan 2023

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**Independent Remuneration Panel
for Worcestershire District Councils**

Annual Report and Recommendations for 2023-24

Bromsgrove District Council

December 2022

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Recommendations

The Independent Remuneration Panel recommends to Bromsgrove District Council the following:

- 1. A Basic Allowance for 2023-24 of £5,081, representing a 7.37% increase.**
- 2. Special Responsibility Allowances as set out in Appendix 1**
- 3. That travel allowances for 2023-24 continue to be paid in accordance with the HMRC mileage allowance**
- 4. That subsistence allowances for 2023-24 remain unchanged**
- 5. That the Dependent Carer's Allowance remains unchanged**
- 6. That for Parish Councils in the District, if travel and subsistence is paid, the Panel recommends that it is paid in accordance with the rates paid by District Council and in accordance with the relevant Regulations**

Introduction and Context

The Independent Remuneration Panel (IRP) has been appointed by the Council to carry out reviews of the allowances paid to Councillors, as required by the Local Government Act 2000 and subsequent legislation. The Panel has carried out its work in accordance with the legislation and statutory guidance.

The law requires each Council to 'have regard' to the recommendations of the Panel and we noted that Bromsgrove District Council agreed to implement the Panel's Basic Allowance recommendation for 2022-23.

Our recommendations are based on thorough research and benchmarking and we have presented the Council with what we consider to be an appropriate set of allowances to reflect the roles carried out by the Councillors. The purpose of allowances is to enable people from all walks of life to become involved in local politics if they choose.

The Panel does acknowledge that in the current challenging financial climate there are difficult choices for the Council to make. It is for the Council to decide how or whether to adopt the recommendations that we make.

Background Evidence and Research Undertaken

There is a rich and varied choice of market indicators on pay which can be used for comparison purposes. These include:

- National survey data on a national, regional or local level
- Focused surveys on a particular public sector
- Regular or specific surveys
- Use of specific indices to indicate movement in rewards or cost of living

As background for the decisions taken by the Panel this year we have:

- Analysed and considered the Annual Survey of Hours and Earnings (ASHE) statistics for 2022 which gives a mean hourly wage rate for Worcestershire of £17.34
- Benchmarked the Basic Allowance against allowances for comparable roles paid by the Chartered Institute of Public Finance and Accountancy (CIPFA) "nearest neighbour" Councils for each authority
- Taken account of the National Pay Award for the majority of Local Government employees
- Considered the Consumer Price Index information as at September 2022

We give more details about these areas of research at the end of the report.

In 2015, Worcester City Councillors recorded time spent on Council business for a number of weeks. This enabled the Panel to confirm the number of hours per week for front-line councillors, which is used to calculate the recommended Basic Allowance. This exercise was carried out again in 2022 and no significant difference was recorded.

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The figure being recommended by the Panel of £5,081 for the Basic Allowance appears reasonable and appropriate when compared to other Local Authorities. The mean average Basic Allowance for the "nearest neighbour" authorities is £5,683. We feel it is important not to allow this gap to widen.

Arising from our research, in **Table 1** we have included information showing the Members' allowances budget for Basic and Special Responsibility Allowances paid for 2021-22 as a cost per head of population for each Council. To give context, we have included details of the proportion of net revenue budget spent by each Council on Basic and Special Responsibility allowances.

Table 1 - Total spend on Basic and Special Responsibility Allowances (SRA) as a cost per head of population 2021-22 figures

Authority, population¹ and number of Councillors	Total spend Basic Allowances	Total spend on SRA	SRA as a percentage of total Basic Allowance	Cost of total basic and SRA per head of population	Total of basic and SRA as a percentage of Net General Revenue Fund expenditure
	£	£	%	£	%
Bromsgrove DC (31) 100,569	145,754	72,538	49.77%	£2.17	Not available
Malvern Hills DC (38) 79,445	172,810	69,350	40%	£3.05	2.9%
Redditch Borough (29) 85,568	127,875	94,770	74.11%	£2.60	Not available
Worcester City (35) 100,265	156,304.52	94,696.21	60.58%	£2.50	1.43%
Wychavon (45) 131,084	207,425	93,121	44.89%	£2.29	2.77%

In **Table 2** we show the average payment per member of each authority of the Basic and Special Responsibility Allowances, which illustrates the balance between the level of Special Responsibility Allowances paid and the Basic Allowance.

¹ONS population estimates mid 2020. Totals for Basic and Special Responsibility allowances paid are as published by each authority for the 2021-22 financial year.

Table 2 - Average allowance per Member of each authority (Basic and Special Responsibility Allowances, 2021–22 figures)

Authority (number of Councillors)	Amount £
Bromsgrove District (31)	£7,182.10
Malvern Hills District (38)	£6,372.63
Redditch Borough (29)	£7,677.41
Worcester City (35)	£7,171.45
Wychavon District (45)	£6,679.00

Basic Allowance 2023-24

Calculation of Basic Allowance

The Basic Allowance is based on:

- The roles and responsibilities of Members
- Their time commitments – including the total average number of hours worked per week on Council business
- A public service discount of 40% to reflect that Councillors volunteer their time
- The Basic Allowance is paid to all Members of the Council

Whilst each Council may set out role descriptions for Councillors, the Panel accepts that each Councillor will carry out that role differently, reflecting personal circumstances and local requirements. However, we consider the Basic Allowance to include Councillors’ roles in Overview and Scrutiny, as any non-Executive member of the Council is able to contribute to this aspect of the Council’s work. It is for this reason that we do not recommend any Special Responsibility Allowance for members of the Overview and Scrutiny Committee. We also consider that ICT could be included in the Basic Allowance as it is generally more readily available to individuals than in previous years. However, we are comfortable that specific local decisions may be made about how ICT support is provided.

We reviewed the levels of wage rates for Worcestershire as set out in the ASHE data (details in Appendix 2) and the benchmark information available to us from the Chartered Institute of Public Finance and Accountancy (CIPFA) “nearest neighbours” authorities as part of our research into the level of basic allowance recommended. We are also aware that local government employees have accepted a varying pay award increase of between 4% and 10.5% (averaging approximately 7%) for the financial year 2022-23.

The recommended basic allowance for 2023-24 takes strong account of the ASHE data and is set at an appropriate level in the context of the local government pay award. The Panel are conscious of the current financial challenges but are also mindful to avoid increasing any gap in allowances between Bromsgrove District Council and its “nearest neighbours”

The research information used in the consideration of the Basic Allowance is set out at appendix 2.

Special Responsibility Allowances (SRA) 2023-24

The basis for the calculation of SRAs is a multiplier of the Basic Allowance as advocated in the published Guidance.

Bromsgrove Members had asked the Panel to consider a change to the multiplier for the Planning Committee Chairman for Bromsgrove District Council. The Panel considered data regarding planning meetings provided by all the member councils but could not establish any special circumstances to merit a change of recommendation for Bromsgrove District Council.

Mileage and Expenses 2023-24

The Panel notes that the Council has used the HMRC flat rate for payment of mileage for all types of vehicles for Councillors and recommends that this continues.

The Panel is satisfied that the current levels of subsistence allowances are set at an appropriate level and recommends that these continue.

The Panel notes that the Council's Scheme of Members' Allowances provides that Dependant Carer Allowances are payable to cover reasonable and legitimate costs incurred in attending approved duties and recommends that this provision continues.

Allowances to Parish Councils 2023-24

The Independent Remuneration Panel for Worcestershire District Councils acts as the Remuneration Panel for the Parish Councils in each District.

This year the Panel has not been asked to make recommendations on any matters by any Parish in Bromsgrove District.

The Independent Remuneration Panel

The Members' Allowances Regulations require Local Authorities to establish and maintain an Independent Remuneration Panel. The purpose of the Panel is to make recommendations to the authority about allowances to be paid to Elected Members and Local Authorities must have regard to this advice. This Council's Independent Remuneration Panel is set up on a joint basis with four of the other five District Councils in Worcestershire. Separate Annual Reports have been prepared for each Council.

The members of the Panel are:

Reuben Bergman – Reuben Bergman – Reuben is a Fellow of the CIPD with significant senior HR leadership experience across a range of public sector organisations in both England and Wales. He currently runs a HR Consultancy Business in Worcestershire providing advice and support on managing change, employment law, HR policy development, mediation, management coaching and employee relations. Reuben has led successful equal pay reviews in three separate local authorities and is known for his successful work in managing change and developing effective employee relations. He is a qualified coach, mediator and a Shared Service architect. He has won national awards for his work on employee engagement and the development of an innovative Café style leadership development programme.

Matthew Davies – Matthew qualified as a Social Worker in 2008 and subsequently worked with children and young people in Worcestershire, Jersey and Manchester. Latterly he is employed as a Registered Manager of an independent fostering agency, supporting and supervising approved foster carers to care for children and young people in care.

Xenia Goudefroy – Xenia is a Management Accountant with experience in the financial controlling and forecasting for a range of companies in the private sector. She holds an Advanced Diploma in Management Accounting and has completed a Master's degree in Business Administration at University Vila Velha and in International Management at the Steinbeis University Berlin. As a focus topic of her thesis she has developed the order-to-cash process for new business models. Since she moved to the UK in 2017 in her free time she has been volunteering to help people in need and is also working as a volunteer at the Worcester fish-pass to help preserve the natural habitat of migrating species. She is fluent in three languages and enjoys learning new skills.

Tim Hunt – Tim is a qualified journalist with more than 25 years' experience in media and communications. He spent seven years covering community and local authority news in Worcestershire and Warwickshire, including four as editor of two local newspapers, before going on to work in corporate communications and events. Tim now runs his own PR agency and is a Member of the Chartered Institute of Marketing.

Susan Moxon - Susan has worked in the Education sector for over 20 years, working in schools in Warwickshire and Birmingham and then with the Department for Education, where she worked in the 6th form funding team, analysing data from incoming enquiries, mainly from schools and colleges regarding the calculation of their funding statements. She has also acted as an independent observer at Teacher Disciplinary Hearings ensuring that the panel members followed procedures and were unbiased in their decision making. Previously she was an Exams Support Officer providing advice to schools and colleges in Hereford, Worcester and Gloucester about entering students for external exams and assessments, her particular area of expertise.

She is currently Clerk to the Governing Bodies at two First Schools in Worcestershire and to two local charities. She organises meetings, manages the accounts and is the main point of contact with applicants, local providers and the Charity Commission.

Caroline Murphy – Caroline has over 20 years' experience of working in public and voluntary sector organisations, including three West Midlands Local Authorities and the Civil Service. She was a senior Education Manager at Wolverhampton City Council until 2011 developing and delivering a large part of the 14-19 Pathfinder, during which time her department was recognised as achieving Beacon Council Status. She has a wealth of experience at building partnerships. Caroline now works as freelance Education, Skills and Development Adviser supporting individuals and organisations with strategic management, quality assurance and improvement, safeguarding, regulation compliance, research and evaluation, data protection and developing policies and procedures. She has worked in a consultancy capacity for a number of organisations, specialising in those who support vulnerable young people. She also spent 14 years as the Vice Chair of Governors of a primary school in Birmingham.

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The Panel has been advised and assisted by:

- Claire Chaplin and Margaret Johnson from Worcester City Council
- Darren Whitney from Bromsgrove & Redditch Councils
- Mel Harris from Wychavon District Council
- Lisa Perks from Malvern Hills District Council

The Panel wishes to acknowledge its gratitude to these officers who have provided advice and guidance in a professional and dedicated manner.

The Panel also wishes to place on record its thanks to Martin Litt for his time and work for the Panel and wish him well.

Caroline Murphy and Matthew Davies, Co-Chairs of Independent Remuneration Panel

Appendix 1

Independent Remuneration Panel for District Councils in Worcestershire Recommendations for 2023-24

Bromsgrove District Council

Role	Rec'd Multiplier 2022-23 (IRP)	Current Multiplier (Council Agreed)	Rec'd Allowance 2022-23 (IRP) £	Current Allowance 2022-23 (Council Agreed) £	Rec'd Multiplier 2023-24 (IRP)	Rec'd Allowance 2023-24 (IRP) £
Basic Allowance for all Councillors	1	1	4,732	4,732	1	5,081
Special Responsibility Allowance:						
Leader	3	3	14,196	14,196	3	15,243
Deputy Leader	1.75	2	8,281	9,464	1.75	8,891.75
Executive Members (Cabinet Portfolio Holders)	1.5	1.3	7,098	6,151	1.5	7,621.50
Chairman of Overview and Scrutiny Board	1.5	1.3	7,098	6,151	1.5	7,621.50
Chairman of Overview and Scrutiny Task Groups	0.25	0.25	1,183	1,183 (paid pro rata for the length of the task group)	0.25	1,270.25
Chairman of Audit, Standards and Governance Committee	0.25	0.3	1,183	1,419	0.25	1,270.25
Chairman of Planning Committee	1	1.3	4,732	6,151	1	5,081
Chairman of Licensing Committee	0.3	0.3	1,419.60	1,419	0.3	1,524.30

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Political Group Leaders	0.25	0.25	1,183	1,183 Leader of the largest opposition political party elected at the ballot box and Leader(s) of other political groups (not applicable to the Leader of the Council) min of 4 members.	0.25	1,270.25
Chairman of Appointments Committee (BDC only)	0.03	0.03	141.96 per meeting	141 per meeting	0.03	152.43 per meeting
Chairman of Electoral Matters Committee (BDC only)	0.03	0.03	141.96 per meeting	141 per meeting	0.03	152.43 per meeting
Chairman of Appeals Panel (BDC only)	0.03	0.03	141.96 per meeting	141 per meeting	0.03	152.43 per meeting

Appendix 2

Summary of Research

Chartered Institute of Public Finance and Accountancy (CIPFA) "Nearest Neighbour" authorities tool.

No two Councils or sets of Councillors are the same. Developed to aid local authorities in comparative and benchmarking exercises, the CIPFA Nearest Neighbours Model adopts a scientific approach to measuring the similarity between authorities. Using the data, Bromsgrove District Council's "nearest neighbours" are:

- Stroud
- Lichfield
- Maldon
- South Staffordshire
- Harborough
- Tewkesbury

Information on the level of Basic and Special Responsibility Allowances was obtained to benchmark the levels of allowances recommended to the Council. The average basic award across all the "nearest neighbour" authorities was £5,683 as at December 2022.

Annual Survey of Hours and Earnings (ASHE) Data on Pay

[Office for National Statistics - Nomis statistics - local authority profile](#)

[Office for National Statistics - Annual Survey of Hours - Nomis](#)

Published by the Office for National Statistics, the Annual Survey of Hours and Earnings (ASHE) shows detailed information at District level about rates of pay. For benchmarking purposes, the Panel uses the levels for hourly rates of pay excluding overtime (currently £17.34). This is multiplied by 11 to give a weekly rate, which is then multiplied by 44.4 weeks to allow for holidays. This was the number of hours spent on Council business by frontline Councillors which had been reported in previous surveys and substantiated by surveys with Worcester City Councillors in 2015 and 2022. The rate is then discounted by 40% to reflect the element of volunteering that each Councillor undertakes in the role. As a benchmark indicator this would produce a figure of £5,081 per annum.

CPI (Consumer Price Inflation)

In arriving at its recommendations the Panel has taken into account the latest reported CPI figure available to it, published by the Office for National Statistics. This was 10.1% in September 2022.

Local Government Pay Award

The Panel was mindful of the current local government pay award as set out earlier in this report.

Labour Group's Budget Amendments to Achieve a Zero Increase in Council Tax

This alternative budget is based on the figures provided in the Medium Term Financial Plan report included in the Council agenda but would not include an increase to Council Tax. A balanced position would be achieved by removing the following from the budget:

Savings	£
Play Audit	11,750
Data Analyst	25,000
Climate Change Officer	30,000
Sub-Total	66,750
Town Hall	68,000
Cross Gates	20,000
Withdraw from General Fund	29,250
Sub-Total	117,250
Total	184,000

NB

The Town Hall, Crossgates and withdrawal from the general fund amount to £117,250.

Taking these sums out of the general fund is only sustainable in the short term. An alternative to these would need to be found in future years.

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The Bromsgrove Independents – Alternative Budget February 2023

This alteration to the proposed budget is based on the figures provided in MTFP with the following two alterations which have a neutral effect on the overall financial position:

- 1) Amendment of the Table on Page 4
 - a. 23/24 – £5k (as partial year)
 - b. 24/25 - £10k
 - c. 25/26 - £11k

- 2) Additional Paragraph added:

The net surplus from the 37 Burcot Lane market rental properties to be managed via Council controlled Housing Company post completion is anticipated to be of the order of £10000 p.a. It is proposed that all surplus from these properties be used to support the popular community grants scheme to be paid out in £25,000 tranches.

- 3) Increase council tax to the full 2.99% which raises an additional £92,000.
- 4) Ring fence an investment of £92000 into youth services across the district.

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Liberal Democrats – Alternative Budget

This alternative budget is based on the figures provided in the Medium Term Financial Plan report included in the Council agenda but propose an increase to Council Tax by an additional 1% and for the £92,000 generated as a result to be used for an annual subsidy for the Artrix.

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Cabinet

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Pay Policy 23/24

Relevant Portfolio Holder	Councillor Denaro
Portfolio Holder Consulted	Yes / No
Relevant Head of Service	Deb Poole – Head of Transformation, OD & Digital
Report Author	Job Title: HR & OD Manager Contact email:becky.talbot@bromsgroveandredditch.gov.uk Contact Tel:01527 64252
Wards Affected	N/A
Ward Councillor(s) consulted	N/A
Relevant Strategic Purpose(s)	Enabling
Key Decision / Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

1. **RECOMMENDATIONS :-**

Cabinet is asked to RECOMMEND to Council that

the Pay Policy as detailed in Appendix 1 to the report be approved.

2. **BACKGROUND**

The Localism Act requires English and Welsh local authorities to produce a Pay Policy statement ('the statement'). The Act requires the statement to be approved by Full Council and to be adopted by 31st March each year for the subsequent financial year. The Pay Policy Statement for the Council is included at Appendix 1.

The Statement must set out policies relating to-

- (a) The remuneration of its chief officers,
- (b) The remuneration of its lowest-paid employees, and
- (c) The relationship between-
 - (i) The remuneration of its chief officers, and

- (ii) The remuneration of its employees who are not chief officers.

The provisions within the Localism Act bring together the strands of increasing accountability, transparency and fairness in the setting of local pay.

In common with the majority of authorities the Council is committed to the Local Government Employers national pay bargaining framework in respect of the national pay spine and annual cost of living increases negotiated with the trade unions. West Midlands Employers engage with the Council and facilitates Regional Pay briefings, to ensure the view of the West Midlands Region is represented in future pay considerations.

3. OPERATIONAL ISSUES

There are no implications in relation to this report

4. FINANCIAL IMPLICATIONS

All financial implications have already been included as part of the budget setting process and posts are fully budgeted for.

The information provided is based on the current pay structure and is subject to any national pay award for 2022/23 being agreed

5. LEGAL IMPLICATIONS

As detailed in the background section

6. OTHER - IMPLICATIONS

Relevant Strategic Purpose

- 6.1 The Pay Policy sets out the remuneration of the Council and recognises the importance of our staff as a resource central to our success in delivering our strategic purposes and services to our communities.

Climate Change Implications

- 6.2 N/A

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Equalities and Diversity Implications

There are no implications in relation to this report

7. RISK MANAGEMENT

7.1 N/A

8. APPENDICES and BACKGROUND PAPERS

Appendix one: Pay Policy 2022/23

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Councillor Denaro	
Lead Director / Head of Service	Deb Poole – Head of Transformation, OD & Digital	
Financial Services	Michelle Howell – Head of Finance & Customer Services	
Legal Services	Mike Rowan Legal Services Manager	
Policy Team (if equalities implications apply)	N/A	
Climate Change Team (if climate change implications apply)	N/A	

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APPENDIX 1

BROMSGROVE DISTRICT COUNCIL PAY POLICY STATEMENT

Introduction and Purpose

1. Under section 112 of the Local Government Act 1972, the Council has the “power to appoint officers on such reasonable terms and conditions as authority thinks fit”. This pay policy statement sets out the Council’s approach to pay policy in accordance with the requirements of Section 38 of the Localism Act 2011. It shall apply for the financial year 2022 and each subsequent financial year, until amended.
2. The purpose of the statement is to provide transparency with regard to the Council’s approach to setting the pay of its employees by identifying;
 - a. the methods by which salaries of all employees are determined;
 - b. the detail and level of remuneration of its most senior staff i.e. ‘chief officers’, as defined by the relevant legislation;
 - c. the Committee(s) responsible for ensuring the provisions set out in this statement are applied consistently throughout the Council and for recommending any amendments to the full Council
3. Once approved by the full Council, this policy statement will come into immediate effect and will be subject to review on a minimum of an annual basis, in accordance with the relevant legislation prevailing at that time.

Legislative Framework

4. In determining the pay and remuneration of all of its employees, the Council will comply with all relevant employment legislation. This includes the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, The Agency Workers Regulations 2010 and where relevant, the Transfer of Undertakings (Protection of Earnings) Regulations. With regard to the equal pay requirements contained within the Equality Act, the Council ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of equality proofed Job Evaluation mechanisms. These directly relate salaries to the requirements, demands and responsibilities of the role.

Pay Structure

5. The Council’s pay and grading structure comprises grades 1 – 11. These are followed by grades for Managers 1 - 2, Head of Service 1, Head of Service 2, Head of Service 3, Executive Director, Deputy Chief Executive and then Chief Executive; all of which arose following the introduction of shared services with Redditch Borough Council.

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6. Within each grade there are a number of salary / pay points. Up to and including grade 11 scale, at spinal column point 43, the Council uses the nationally negotiated pay spine. Salary points above this are locally determined. The Council's Pay structure is set out below.

Grade	Spinal Column Points		Nationally determined rates	
			Minimum £	Maximum £
1	1	2	20,258	20,441
2	2	5	20,441	21,575
3	5	9	21,575	23,194
4	9	14	23,194	25,409
5	14	19	25,409	27,852
6	19	24	27,852	31,099
7	25	30	32,020	36,298
8	30	34	36,298	40,478
9	34	37	40,478	43,516
10	37	40	44,516	46,549
11	40	43	46,549	49,590
Manager Hay Grade 1	Hay evaluated	43%	60,068	62,416
Manager Hay Grade 2	Hay evaluated	45%	62,437	64,922
Head of Service 1	Hay evaluated	51%	71,075	73,898
Head of Service 2	Hay evaluated	61%	84,905	88,292
Head of Service 3	Hay evaluated	68%	94,501	97,889
Executive Director	Hay evaluated	74%	102,403	106,356
Deputy Chief Executive	Hay evaluated	80%		114,824
Chief Executive	Hay evaluated	100%		143,049

7. All Council posts are allocated to a grade within this pay structure, based on the application of a Job Evaluation process. Posts at Managers and above are evaluated by an external assessor using the Hay Job Evaluation scheme. Where posts are introduced as part of a shared service, and where these posts are identified as being potentially too 'large' and 'complex' for this majority scheme, they will be double tested under the Hay scheme, and where appropriate, will be taken into the Hay scheme to identify levels of pay. This scheme identifies the salary for these posts based on a percentage of Chief Executive Salary (for ease of presentation these are shown to the nearest whole % in the table above). Posts below this level (which are the majority of employees) are evaluated under the "Gauge" Job Evaluation process..
8. In common with the majority of authorities the Council is committed to the Local Government Employers national pay bargaining framework in respect of the national pay spine and annual cost of living increases negotiated with the trade unions.
9. All other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and/or as determined by Council policy. In determining its grading structure and setting remuneration levels for all posts, the Council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community; delivered effectively and efficiently and at all times those services are required.
10. New appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate. From time to time it may be necessary to take account of the external pay market in order to attract and retain employees with particular experience, skills and capacity. Where necessary, the Council will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using appropriate data sources available from within and outside the local government sector.
11. For staff not on the highest point within the salary scale there is a system of annual progression to the next point on the band.

Senior Management Remuneration

12. For the purposes of this statement, senior management means 'chief officers' as defined within S43 of the Localism Act. The posts falling within the statutory definition are set out below, with details of their basic salary as at 1st April 2022 (assuming no inflationary increase for these posts).
13. Bromsgrove District Council is managed by a senior management team who manage shared services across both Bromsgrove District and Redditch Borough Councils. All of the posts listed below have been job evaluated on this basis, with the salary costs for these posts split equally between both Councils.

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Title	% of Chief executive salary	Pay range (minimum) £	Pay range (maximum) £	Incremental points	Cost to Bromsgrove District Council £
Chief Executive	100%		143,049		71524.50
Deputy Chief Executive	80%		111,230		55615
Executive Director of Finance and Resources. (Also S151 Officer)	74%	102,403	106,356	3	53178
Head of Worcestershire Regulatory Services	68%	94,501	97,889	3	<i>This is a shared post across 6 district Authorities at a cost of £16,314 each</i>
Head of Finance and Customer Services	61%	84,905	88,292	3	44146
Head of Planning, Regeneration and Leisure Services	61%	84,905	88,292	3	44146
Head of Transformation, Organisational Development	61%	84,905	88,292	3	44146

and Digital Services					
Head of Legal, Democratic and Property Services	61%	84,905	88,292	3	44146
Head of Environmental and Housing Property Services	61%	84,905	88,292	3	44146
Head of Community and Housing Services	61%	84,905	88,292	3	44146

Recruitment of Chief Officers

14. The Council’s policy and procedures with regard to recruitment of chief officers is set out within the Officer Employment Procedure Rules as set out in the Council’s Constitution. When recruiting to all posts the Council will take full and proper account of its own equal opportunities, recruitment and redeployment Policies. The determination of the remuneration to be offered to any newly appointed chief officer will be in accordance with the pay structure and relevant policies in place at the time of recruitment. Where the Council is unable to recruit to a post at the designated grade, it will consider the use of temporary market forces supplements in accordance with its relevant policies.

15. Where the Council remains unable to recruit chief officers under a contract of service, or there is a need for interim support to provide cover for a vacant substantive chief officer post, the Council will, where necessary, consider and utilise engaging individuals under ‘contracts for service’. These will be sourced through a relevant procurement process ensuring the council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service. The Council does not currently have any Chief Officers under such arrangements.

Performance-Related Pay and Bonuses – Chief Officers

16. The Council does not apply any bonuses or performance related pay to its chief officers. Any progression through the incremental scale of the relevant grade is subject to satisfactory performance which is assessed on an annual basis.

Additions to Salary of Chief Officers (applicable to all staff)

17. In addition to the basic salary for the post, all staff may be eligible for other payments under the Council's existing policies. Some of these payments are chargeable to UK Income Tax and do not solely constitute reimbursement of expenses incurred in the fulfilment of duties. The list below shows some of the kinds of payments made.
- a. reimbursement of mileage. At the time of preparation of this statement, the Council pays an allowance of 45p per mile for all staff, with additional or alternative payments for carrying passengers or using a bicycle;
 - b. professional fees. The Council pays for or reimburses the cost of one practicing certificate fee or membership of a professional organisation provided it is relevant to the post that an employee occupies within the Council.
 - c. long service awards. The Council pays staff an additional amount if they have completed 25 years of service and having completed 40 years service.
 - d. honoraria, in accordance with the Council's policy on salary and grading. Generally, these may be paid only where a member of staff has performed a role at a higher grade;
 - e. fees for returning officer and other electoral duties, such as acting as a presiding officer of a polling station. These are fees which are identified and paid separately for local government elections, elections to the UK Parliament and EU Parliament and other electoral processes such as referenda;
 - f. pay protection – where a member of staff is placed in a new post and the grade is below that of their previous post, for example as a result of a restructuring, pay protection at the level of their previous post is paid for the first 12 months. In exceptional circumstance pay protection can be applied for greater than 12 months with the prior approval of the Chief Executive.
 - g. market forces supplements in addition to basic salary where identified and paid separately;
 - h. salary supplements or additional payments for undertaking additional responsibilities such as shared service provision with another local authority or in respect of joint bodies, where identified and paid separately;
 - i. attendance allowances.

Payments on Termination

18. The Council's approach to discretionary payments on termination of employment of chief officers prior to reaching normal retirement age is set out within its policy statement in accordance with Regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 and Regulations 12 and 13 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007.
19. Any other payments falling outside the provisions or the relevant periods of contractual notice shall be subject to a formal decision made by the full Council or relevant elected members, committee or panel of elected members with delegated authority to approve such payments.

20. Redundancy payments are based upon an employee's actual weekly salary and, in accordance with the Employee Relations Act 1996, will be up to 30 weeks, depending upon length of service and age.

Publication

21. Upon approval by the full Council, this statement will be published on the Council's website. In addition, for posts where the full time equivalent salary is at least £50,000, the Council's Annual Statement of Accounts will include a note on Officers Remuneration setting out the total amount of:
- a. Salary, fees or allowances paid to or receivable by the person in the current and previous year;
 - b. Any bonuses so paid or receivable by the person in the current and previous year;
 - c. Any sums payable by way of expenses allowance that are chargeable to UK income tax;
 - d. Any compensation for loss of employment and any other payments connected with termination;
 - e. Any benefits received that do not fall within the above.

Lowest Paid Employees

22. The Council's definition of lowest paid employees is persons employed under a contract of employment with the Council on full time (37 hours) equivalent salaries in accordance with the minimum spinal column point currently in use within the Council's grading structure. As at 1st April 2022 this is £20,441 per annum.
23. The Council also employs apprentices (or other such categories of workers) who are not included within the definition of 'lowest paid employees' (as they are employed under a special form of employment contract; which is a contract for training rather than actual employment).
24. The relationship between the rate of pay for the lowest paid and chief officers is determined by the processes used for determining pay and grading structures as set out earlier in this policy statement.
25. The statutory guidance under the Localism Act recommends the use of pay multiples as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton 'Review of Fair Pay in the Public Sector' (2010). The Hutton report was asked by Government to explore the case for a fixed limit on dispersion of pay through a requirement that no public sector manager can earn more than 20 times the lowest paid person in the organisation. The report concluded that "it would not be fair or wise for the Government to impose a single maximum pay multiple across the public sector". The Council accepts the view that the relationship to median earnings is a more relevant measure and the Government's Code of Recommended Practice on Data Transparency recommends the publication of the

ratio between highest paid salary and the median average salary of the whole of the authority's workforce.

26. As part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the Council will use available benchmark information as appropriate.

Accountability and Decision Making

28. In accordance with the Constitution of the Council, the Council is responsible for setting the policy relating to the recruitment, pay, terms and conditions and severance arrangements for employees of the Council. Decisions about individual employees are delegated to the Chief Executive.
29. The Appointments Committee is responsible for recommending to Council matters relating to the appointment of the Head of Paid Service (Chief Executive), Monitoring Officer, Section 151 Officer and Chief Officers as defined in the Local Authorities (Standing Orders) Regulations 2001 (as amended);
30. For the Head of Paid Service, Monitoring Officer and the Chief Finance Officer, the Statutory Officers Disciplinary Action Panel considers and decides on matters relating to disciplinary action.

MEDIUM TERM FINANCIAL PLAN 2023/4 to 2025/6

Relevant Portfolio Holder		Councillor Geoff Denaro, Finance and Enabling Portfolio Holder
Portfolio Holder Consulted		Yes
Relevant Head of Service		Michelle Howell
Report Author	Job Title: Head of Finance & Customer Services email:michelle.howell@bromsgroveandredditch.gov.uk Contact Tel: 0152764252	
Wards Affected		N/A
Ward Councillor(s) consulted		N/A
Relevant Strategic Purpose(s)		All
Non-Key Decision		
If you have any questions about this report, please contact the report author in advance of the meeting.		

1. SUMMARY OF PROPOSALS

- 1.1 The Council has set its budget in two Tranches this year. The initial Tranche was published on the 17th October this contained £1.6m of savings against a carried forward deficit of £1.6m. This was presented to Council for approval on the 7th December. This report finalises the overall budget, building on data that was presented to Cabinet following the Provisional Local Government Settlement on the 19th December.

2. RECOMMENDATIONS

Cabinet are asked to Recommend to Council:

- 1 The tranche 2 growth proposals.
- 2 The additional funding to the Council as per the Local Government Settlement on the 19th December 2022, including the estimated levels for 2024/5 and 2025/6.
- 3 The tranche 2 savings proposals, including an Increase of Council Tax at 1.99%.
- 4 The Capital Programme 2023/4 to 2025/6 and associated projects where outstanding budgets will be allowed to be carried forward at the end of the 2022/23 financial year.
- 5 The levels of reserve being carried forward into future years.
- 6 The level of General Fund balances being used to balance budgets over the Medium-Term Financial Plan (MTFP) period.

Cabinet note

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15th February 2023

1. The Chief Financial Officer (CFO) Opinion on Estimates and Reserve Levels – the Robustness Statement (Section 25 Statement)

3. **Background**

Introduction

- 3.1 The Council sets a 3-year Medium Term Financial Plan every year, with the final Council Tax Resolution being approved by Council in February. This year's process has been more difficult due to the following factors and as such has been split into two Tranches to ensure maximisation of delivery in the 2023/24 financial year:

- Starting the process with an initial deficit amount from the 2022/23 MTFP.
- This being the first year that the Government starts to pay for the C-19.
- The present cost of living crisis.
- A change of Prime Minister and Cabinet.
- Limited Reserves and balances.

Tranche 1 Proposals

- 3.2 The Tranche 1 Report was discussed on the 26th October and approved for implementation by the Cabinet and then Council on the 7th December. In that report, the Interim Director of Finance noted in his draft robustness statement set out that the MTFP highlights that the current financial position is untenable without some form of intervention. We now know, following the Provisional Local Government Settlement that following the work undertaken in Tranche 1 that a £1.6m gap still remained in 2023/24 to be mitigated.
- 3.3 It is important, for planning purposes that those initial savings proposals are approved by Council as soon as possible in order to achieve the maximum benefit in the 2023/24 financial year. As per the Q2 Monitoring Report, which was presented to Cabinet in November 2022, prior years "unallocated savings" have now been fully allocated to service budgets.
- 3.4 The table below sets out the position at the end of Tranche 1. As per previous discussions the largest issues are the inflationary increases that are impacting all Local Authorities.

Bromsgrove Position Statement				
		2023/24	2024/25	2025/26
		£000	£000	£000
Base Budget Position 22/23 MTFP				
Expenditure		11,948	12,077	12,347
Funding		-10,360	-10,864	-10,724
Net		1,588	1,213	1,623
Revised Gap		1,588	1,213	1,623
Pressures				
50% Funding for Climate Change Officer		30	30	30
Savings Options				
Environmental Services Partnership		0	-25	-50
Service Reviews		-140	-330	-405
Town Hall		-70	-70	-70
Finance Vacancies		-100	-100	-100
MRP		-100	-100	-100
Pension Fund		-663	-663	-663
Engage Capacity Grid (One Off)		-200	-200	0
10% Increase in Fees and Charges		-382	-389	-390
Total Savings		-1,625	-1,847	-1,748
Revised Position		-37	-634	-125
Pressures				
Pay Pressure Year 1		718	718	718
Pay Pressure Future Years (1%)		0	0	155
Transport Pressure		32	33	34
Contracts Pressures		150	155	160
Core Pressures		900	906	1,067
Updated Position		863	272	942
Utilities Inflation		702	702	702
Final Draft Position		1,565	974	1,644

Table 1 – Tranche 1 Position

- 3.5 The Council's Capital Programme must prioritise the spending of Levelling Up and UK Shared Prosperity Grant Funding – both of which have to be delivered by April 2025. Therefore, the new rationale is for any scheme not yet started (unless grant or S106 funded) that they must rebid for funds as part of the 2023/24 budget process.

Cabinet

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Assumptions

- 3.6 There are a number of key assumptions that underpin the budget. It is important that all Stakeholders understand these as the budget has been constructed in a period of high uncertainty, as set out in 3.1 above, and any one of these assumptions might change due to any number of external factors.
- 3.7 Tax Base underlying assumptions are as follows
- Council Tax – Figures assume the full 1.99% increase. As per the Chancellors Statement, this can now increase, subject to approval, by another 1%.
 - We have reduced the Council Tax base by £24k
 - Business Rates Increases – business rates assume all reliefs as per the Chancellors Statement. More work has been undertaken to validate the final business rates position, which is set out in 3.16 below, taking into account various S31 Grants and the effect of the Worcestershire and Herefordshire Pool. It is expected that this pool will continue into 2024/25.
- 3.8 Grant support assumptions are as follows (Revenue and Capital). It should be noted that these are budgeted figures and final grant figures will not be confirmed until the time of the final Local Government Settlement.
- The main Revenue Grants are (at 22/23 levels pending the final Local Government Settlement):
 - S-31 Grant (for Business Rate reductions) - £1.126m
 - Housing Benefit - £14.7m
 - Housing Benefit Administration - £0.148m
 - Cost of Revenues Collection Grant - £0.119m
 - Discretionary Housing Payment
 - Homelessness Grant
 - The Council has £14.492m of Levelling Up Grant to be spent by April 2026 which is match funded by £1.610m of Council funding.
 - The Council has £2.681m of UK Shared Prosperity Fund to spend by April 2025. This is both revenue (£2.068m) and capital (£0.613m) in nature
- 3.9 Inflationary increases are significant due to factors already identified in previous sections. The following are the current base assumptions.
- The Employers agreed a 2022/23 pay award of £1,925 per pay point plus on costs. We have a pressure of £718k in Tranche1. This increase has been included in ongoing budgets. An assumption of 2% for future pay awards has also been built in for future years.
 - An assumption of General inflation increases of 10% was made in Tranche 1 in relation to transport and contract budgets. Its impact on 2023/24 was

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transport budgets £32k and base contracts £150k. It is assumed that 2024/25 will move back to normal levels of 2%.

- We have assumed utility increases of 200% which amount to a £720k ongoing pressure. Our existing Utility contracts requiring renewal by the end of this financial year, and we have seen increases in some areas of up to 400%.

Tranche 2 of the Budget following the Provisional Local Government Settlement – Additional Revenues

- 3.10 The Provisional Local Statement was announced on the 19 December. This announcement confirmed the following funding sources for the Council:
- The Provisional Local Government Settlement has the following effect
 - New Homes Bonus - £127k
 - Services Grant - £68k
 - Funding Guarantee - £1,027k
 - Reduction in Council Tax Base £24k pressure
- 3.11 The Provisional Local Government Settlement is only for 1 year. For planning purposes, the Council must take a medium-term view over three years. The net Government funding of £1,198k is in line with previous years equivalent grants. **Therefore, for planning purposes an assumption has been made that Grant levels will remain at the net level of £1.0m for the 2nd and 3rd years of the 3 year plan.** This will be adjusted once there is clarity on future years Settlement details.
- 3.12 There is the also now the opportunity to increase Council Tax by an additional 1% to 2.99%.
- 3.13 With the receipt of the final Triennial Pension Fund Valuation from the Actuary there are addition savings, over and above the levels in Tranche 1. The projected contributions over the next 3 years are £5,693m – which is £1,897k a year. In Tranche 1 we reduced the base budget to £2,253k – this is an additional £356k savings.
- 3.14 We have spent significant time reviewing reserves (see Appendix A). This review has resulted in the Council being able to set up an Earmarked Reserve for Utilities Pressures. Our overall assumption still remains, that utilities costs could increase by up to 200%. However, half that increase should it happen, will be funded from this earmarked reserve for the next three years leading to a reduction in base budget of £351k a year over the next three years. Should increases be less than this figure this reserve can be released back to the General Fund.

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- 3.15 This has the impact of reducing the funding gap identified in Tranche 1 from a £1.565m deficit to a surplus of £0.340m. However, this is before additional pressures as set out in section 3.16 below.
- 3.16 We have now reviewed base budget across the combined areas of Business Rates, Investment Income, and Investment Payments is a net benefit of £1,255k as per the table below. For planning purposes, we have assumed a £400k upside – with £300k supporting the ongoing base budget and £100k going to support reserves in 23/24 and a ongoing amount of £200k.

	23/4 Base Budget £000	Combined Totals £000	Re – Based Budgets £000	Combined Totals £000
Investment Income	(333)		(100)	
Investment Payments	595	262	617	517
Business Rates Income	(11,215)		(11,196)	
Business Rates Tariff Payment	8,804		9,276	
S31 Grant	(1,126)		(3,120)	
Business Rates Levy Payment (net)	912	(2,625)	686	
Business Rates Deficit (based on 22/3)			1,085	
CARF Grant			(742)	
Tax Income Guarantee Grant			(124)	(4,135)
Total		(2,363)		(3,618)

These are draft figures based on NNDR3 forms and government grants. The overall £1,255k credit is proposed to be split:

- 2023/24
 - £517k to support the budget
 - £100k to support the General Fund Reserve
 - The £638k balance to the Financial Services Reserve
- 2024/5 and 2025/6
 - £200k to support the budget
 - £200k to support the General Fund Reserve
 - It is assumed this balance will be adjusted by the Government in future years and so the remaining £855k has not been allocated.

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Tranche 2 Pressures

- 3.16 There are also other pressures that have now been quantified. We do know that there are changes in Government legislation which have yet to be received. Key items include:
- The future waste operating model – further consultation is just about to start for implementation in 2025, this will include transitional arrangements and funding.
 - Possible commercial opportunities to maximise income.
 - Climate Change – The Council is forecasting a possible £180k increase in costs for the new HVO fuel to be used by the fleet. This is under review (a 100% increase in costs) with alternate providers being assessed as well as reduced conversion. This has not yet been included in the budget and if it becomes an additional cost will be taken from the Utilities Reserve.
- 3.17 Other service-based pressures identified for inclusion in the Tranche 2 include:
- Refurbishment of the fleet, which extends life for 5 years and lets the Council buy replacements in 2028 when supply will be more stable. Refurbishment costs circa £70k, a new diesel vehicle is £200k, and electric Vehicle is £400k.
 - Leisure Contract is a £550k net payment to the Council but is only delivering a £100k surplus. This has been reviewed with the contractor and budgets can be adjusted to a £150k surplus in 2023/24, increasing to £209k in 2024/25, and £275k in 2025/26. This includes absorbing the present costs of utilities. If these costs reduce, which is the present trend, these savings will come to the Council in addition to the above amounts.
 - A fund for apprentices across the Council which assumes 5 positions at a base rate £20k a position in order for the Council to take advantage of apprenticeship levies and “grow” our own staff. The overall amount of circa £100k across both Councils.
 - We will need to fund a data analyst as we move forward with all the work on automation, robotics, etc, to take the Council forward. The costs are £50k spread across both Councils. This will indirectly lead to further savings as these processes/changes are embedded in future years budgets.
 - Planning Enforcement – the use of WRS to speed up this process has additional cost implications across both Councils. An initial figure of £50k (which is spend to date) is added split across both Councils.
 - The increased costs of Worcestershire Regulatory Services due to the pay award and other inflationary increases.

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- Bringing employee budgets up to the full 2% level for pay awards in 2023/24 and 2024/25.
- The cost of all out election in Bromsgrove. This expense happens every 4 years and is forecast to be £167k in 2023/24.
- The Council Tax Collection Fund is projected to under-recover by £1,020k. The Council portion of this is 13% which is £132k – this would be a one-off issue for 2023/24.

3.18 The Local Government Provisional Settlement Updates along with the pressures set out in this section result in a resultant identified gap for the Council of £0.250m which is set out in the following table.

Bromsgrove Position Statement			
	2023/24	2024/25	2025/26
	£000	£000	£000
Base Budget Position 22/23 MTFP			
Expenditure	11,948	12,077	12,347
Funding	-10,360	-10,864	-10,724
Net	1,588	1,213	1,623
Revised Gap	1,588	1,213	1,623
Pressures			
50% Funding for Climate Change Officer	30	30	30
Savings Options			
Environmental Services Partnership	0	-25	-50
Service Reviews	-140	-330	-405
Town Hall	-70	-70	-70
Finance Vacancies	-100	-100	-100
MRP	-100	-100	-100
Pension Fund	-663	-663	-663
Engage Capacity Grid (One Off)	-200	-200	0
10% Increase in Fees and Charges	-382	-389	-390
Total Savings	-1,625	-1,847	-1,748
Revised Position	-37	-634	-125
Pressures			
Pay Pressure Year 1	718	718	718
Pay Pressure Future Years (1%)	0	0	155
Transport Pressure	32	33	34
Contracts Pressures	150	155	160
Core Pressures	900	906	1,067
Updated Position	863	272	942
Utilities Inflation	702	702	702
Tranche 1 Final Draft Position	1,565	974	1,644
Draft Local Government Financial Settlement			
New Homes Bonus	-127		
Services Grant	-68		
Funding Guarantee	-1,027		
C Tax Base Reduction	24		
Business Rates/Investment Inc Rebaseline	-517	-200	-200
Future Years Settlements - assumption		-1,000	-1,000
Settlement Draft Amounts	-1,715	-1,200	-1,200
Additional Pensions Savings	-356	-356	-356
Conversion of 50% of Utilities to a Reserve	-351	-351	-351
Revised Deficit	-857	-933	-263
New Pressures (Known/Ongoing)			
Fleet Refurbishment	129	258	258
SLM Contract Rebasing	400	341	275
Apprentishp Scheme	50	50	50
Data Analyst	25	25	25
Planning Enforcement	25	25	25
WRS Increase	39	50	61
Cost of all out Elections	167	0	0
Under Recovery of 22/23 Council Tax	132	0	0
Increased pay award - so 2%	140	140	0
Total	1,107	889	694
Revised Draft Position	250	-44	431

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Impact on Reserves

- 3.19 The Council's position in respect of reserves is attached in Appendix A. As part of the Tranche 2 budget a thorough review of Reserves has taken place.

Earmarked Reserves

- 3.20 The Council entered 2022/23 with almost £12.7m in Earmarked Reserves. It should be noted that the Council has not yet fully closed the 2021/22 Accounts however data is taken on reserve levels as per the Period 11 Monitoring Statement for the year which assumes a £367k underspend for the year. The key reserves going into this financial year are:

- The Financial Services (Mostly Business Rates Retention Scheme) Reserve held for Business Rates appeals/non collection. This stands at £4.345m.
- The Economic Regeneration Reserve which stands at £0.998m.
- The General C-19 Reserves (funded from Grant Payments) which stands at £1.177m.
- The C-19 Collection Fund Reserve which stands at £3.094m. This will reduce to 0 over the next two years as it was grant funding for Council to smooth the effects of the Tax collection levels in the 2020/21 financial year due to pandemic reducing collection rates in 2020/21.

- 3.21 The Corporate Management Team reviewed Earmarked Reserves at the assurance meeting on the 21st December. At this meeting, as highlighted in an individual column in Appendix A:

- £1.053m has been able to be reallocated to a Utilities Reserve and £2.682m transferred to the General Fund.
- The majority of funding to support these changes came from the C-19 Reserve (£1.177m), the Finance Reserve (£1.000m), and the Economic Regeneration Reserve (£0.600m).
- It is assumed that the Utilities Reserve will reduce to 0 over the MTFP period.

General Fund

- 3.22 The General Fund assumes the following support over the three years of the MTFFS of:

- £0.250m for 2023/24
- £0.044m Cr for 2024/25
- £0.431m for 2025/26

This is after transferring balances of £2.682m as part of the reallocation of Reserves.

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- 3.23 The significant issue for the General Fund is the impact of the 2022/23 overspend position. Following Q2 monitoring, and taking into account the Pay award and existing support in last year's MTFP, there is a call of £1.472m on the General Fund. Management actions are in place to try and partially mitigate this but a significant portion of the difference is due to the Pay Award.
- 3.24 The Impact of all these factors is that at the end of the MTFP period, the 31st March 2026, General Fund Reserve levels are projected to be £5.558m.
- 3.25 The benchmark minimum level for General Fund Reserves is 5% of net expenditure. 5% of the Councils net expenditure (ignoring Housing Benefit which is passported to Clients) is circa £28m – for which 5% is £1.4m. However
- As 2022/23 has shown, this level of reserves would not cover the level of overspend being reported for this financial year.
 - General fund reserves are all the Council has to fund transformation initiatives, redundancy and any service overspends.
- 3.26 It is prudent therefore to plan to build a level of General Fund Reserves which are 10% of Gross Expenditure less just Housing Benefits. This would mean General Fund Reserves should be at a level of at least £2.8m. General Fund levels are presently above this level.

Strategic Approach

- 3.27 The Council came into the 2023/24 budget process with a number of conflicting issues. These included:
- An ongoing budget deficit position from the 2022/23 MTFS of £1.6m which has now been resolved.
 - Significant inflationary increase due to the “cost of living” crisis.
 - Limited reserves to call on to reduce any deficit, which is still the case due to inflationary pressures. Earmarked reserves stand at just over £13m, and the General Fund at £4.5m.
 - Increases in Council Tax are limited at 3%, which is significantly lower than the present rates of inflation.
- 3.28 The Council must move to financial sustainability as soon as is practically possible due to the present inherent risks. The strategy must be to move the Council to financial sustainability by the 2024/25 financial year. To get to this position there will be the need for investment and possibly the requirement to fund redundancy (both from reserves). Both these requirements will be outputs from the Council having to implement changes to the way it operates to continue to become a viable entity going forward and this will take 18 months to implement fully.

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- 3.29 As set out in the Tranche 1 report, the strategy must be to move the Council to financial sustainability by the 2024/25 financial year. To get to this position there will be the need for investment and possibly the requirement to fund redundancy (both from reserves). Both these requirements will be outputs from the Council having to implement changes to the way it operates to continue to become a viable entity going forward and this will take 18 months to implement fully.
- 3.30 As set out later in the Robustness Statement assumptions have been made based on the best information held now. Issues the Council is facing are not unique, they are being faced by almost all Councils. However, the Council must continue to maintain reserves to fund transformational changes, and to do this it must continue to drive down its expenditure. This includes:
- Ensuring Grants are maximised.
 - Ensuring Agency work reflects the income provided for its delivery.
 - Minimisation of Bed and Breakfast Temporary Accommodation costs
 - Reviewing the effectiveness of the Council's largest Contracts.
 - Maximising the effectiveness of our refuse fleet
 - Reviewing the location and effectiveness of our Depot
 - Assessing the Council's leisure and cultural strategy in terms of affordability
 - Reviewing recharging mechanisms between the Councils for appropriateness
 - Rationalisation of Back Office services as we embrace technology.
- 3.31 Cost and calls for the Council's services will continue to rise unless managed correctly. This includes, in addition to those highlighted in 3.16 above, the following issues being tackled:
- Rationalisation of our asset estate, especially given energy efficiency requirements by 2026.
 - Replacement of a highly skilled but relatively old (49) workforce.
 - Implementation of a new operating model, required through the rollout of new digital solutions to our customers
 - Redevelopment of our Depots
 - Resources required to deliver Damp/Mildew inspections in the Private Rented Sector
 - Redundancy payments – if we restructure the workforce – also cost of voluntary redundancies.
 - The impact on Services if inflation continues above the 2% level
 - Review of the overall delivery of cultural and leisure services.
- 3.32 Many of these initiatives will require investment, for which the only present source of funding is reserves (General Fund and Earmarked Reserves). Key areas of investment will be:

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- Documentation of Processes
- Investment in automation and robotic processes
- Possible redundancy – through restructures

Capital Programme

3.33 In Tranche 1 the existing Capital Programme was split into Schemes that have started and those where no expenditure had happened to date. This final report follows a full review of all schemes on the Capital Programme by CMT in January.

3.34 The following table sets out the Capital Programme schemes that are approved for the MTFP time horizon. Many of these schemes are already in partial delivery in the 2022/23 financial year. By approving this list, as per Recommendation 4, the Council are also agreeing for sums not spent in 2022/23 (and 2021/22 by default if schemes originated earlier than 2022/23 as sums have been carried forward through last year’s final MTFP Report into 2021/22) to be carried forward into 2023/4. The table also splits amounts by funding Source, Council or third party.

Financial Year	Total Budget £000	Council Funded £000	External Funded £000
2021/22	16,511	12,146	4,366
2022/23	8,126	1,485	6,641
2023/24	10,852	1,694	9,158
2024/25	4,921	2,224	2,697
2025/26	3,156	1,558	1,598

3.35 External Funding is made up of a number of Sources. The Council has large schemes. This includes:

- The two Levelling Up schemes – Old Fire Station and Market which are funded via £14.5m of Government Funding, and the Council is funding £1.6m of works.
- UK Share Prosperity Schemes totalling £2.8m.
- The Burcot Lane development at £10.275m.

3.36 The following changes have been made to the Capital Programme:

- The Regeneration Fund, which amounted to over £6m, has been applied to the £1.6m of Levelling Up Funding. As we now have Levelling Up and UKSPF funding from the Government, the remainder of this budget is now no longer required.
- The Vehicles Replacement fund has been updated, with many Waste Collection vehicles now being refurbished instead of new purchases being made as Council still await the publishing of the Governments Green Paper.

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- New rolling programmes have been created to ensure that key council assets/intervention are maintained. These include:
 - £100k for a planned building maintenance programme.
 - £75k for a planned footpath maintenance programme.
 - £60k for a planned wheelie bin programme.
 - £50k for ongoing support for Home Repair Grants/Assistance.
- 3.37 The full list of schemes, including 6 funded via S106 receipts, are set out in Appendix B. The Capital Programme links to the Asset Strategy, Treasury Management Strategy, Minimum Revenue Provision Policy and Asset Investment Strategy, including the Prudential Indicators are set out in Appendix C.

Robustness Statement

- 3.38 The opinion of the Interim Chief Finance Officer is that the 2023/24 budget estimates contain considerable risk due to the continued level of uncertainty in the Council's operating environment and a single year financial settlement, making it problematic to develop meaningful assumptions.
- 3.39 The revenue budget and capital programme have been formulated having regard to several factors including:
- Funding Available.
 - Inflation.
 - Risks and Uncertainties.
 - Council Priorities.
 - Service Pressures.
 - Commercial Opportunities.
 - Operating in a Post C-19 environment.
- 3.40 The MTFP highlights that the 1-year Local Government Financial Settlement announced on the 19th December was to continue at the present levels then the Council starts to move to financial viability in year 2 before needing additional savings in year 3. This is a substantial improvement on the previous years budget where £3.2m of reserves were needed to balance the budget over the three financial years.
- 3.41 There are also still significant risks for the Council to manage:
- The Council has not yet closed its 2021/22 accounts. It is using the Period 11 Monitoring Report estimated outturn of £367k underspend. This still needs to be validated.
 - The 2022/23 financial monitoring is showing an overspend position of £1.472m. This needs to be managed down as it removes half the present General Fund balances.
 - The core risks of implementation of any MTFP

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- All savings proposals have passed the S151 Officers tests for robustness and delivery.
- Implementation of savings to time and budget – we now move through to the implementation processes which needs to be documented to ensure all items are within timescales and variances are reported and mitigated through the correct governance processes – to minimise risk.
- Loss of key personnel, with the average age of staff being 49. Mitigation plans will need to be drawn up. There is an acute recruitment issue across Worcestershire and succession planning is a necessity for key roles.
- The time limited nature of the large Levelling Up and UK Shared Prosperity Funds. If programmes are not delivered within the Government Specified timescales, then the Council is liable for ongoing delivery expenditure.
- Business Rate Income – especially with the 1st April 2023 revaluations that are being undertaken, actual income received will vary depending on actual Business Rates growth, and levels of appeals. As highlighted in the Collection Fund section, there is also an issue with collection this year being under target which is an impact of the “cost of living” crisis.
- The ongoing impact of inflation, especially around utilities. We have allowed for 200% increases and prices are now coming down, however this is still a substantial risk especially with the Council having “Corporate Buildings” including leisure buildings for the delivery of services directly to the public.
- Possible change of corporate direction/priorities following the elections in May.

3.42 In line with Section 25 of the Local Government Act 2003, this report of the Chief Financial Officer (CFO) sets out the robustness of estimates included in the budget and the adequacy of the Council’s reserves.

The Chief Financial Officer’s opinion is that the estimates are robust.

3.43 Relevant budget holders are responsible for individual budgets and their preparation. All estimates are then scrutinised by Financial Services staff and the Corporate Management Team prior to submission to Members.

3.44 The two tranche 2023-4 budget process has ensured that all budget assumptions have been reviewed and reconsidered by Officers, and then Members, through the Finance and Budget Scrutiny Working Group, Cabinet and Council.

3.45 However, as per the strategy section, the Council needs to move to a fully sustainable budget, with no support from reserves, by the 2024/5 financial year.

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Adequacy of Reserves

- 3.46 Budget and MFTP proposals forecast the level of General Fund balances at £5.6m as at 31st March 2026 which is £2.8m above minimum set levels of £2.8m as set out in the Reserves section.
- 3.47 Taking account of the above, the strategy to move to a fully sustainable budget by the 2024/25 financial year, and the level of risk within the budget, the Chief Finance Officer judges that reserves are at an appropriate level throughout the period of the MFTP. This will be subject to ongoing review.
- 3.48 Further work will be undertaken to ensure that expenditure levels are sustainable and matched by income over the medium to long term. Plans are therefore in place to continue to review budgets and identify further savings opportunities.

Collection Fund and Precepts

- 3.49 The Council Tax collection fund is anticipated to be in deficit by surplus based on December data of £1.020m which will be distributed amongst the major preceptors using the prescribed formulae. The Council's share of the surplus payable as a one-off sum in the following financial year 13% of the total which amounts to £132k.
- 3.50 The precepts from Worcestershire County Council, Hereford and Worcester Fire Authority and the West Mercia Police and Crime Commissioner are due to set their precepts in the week commencing 8th February. This will enable the Council to set the Council Tax on 27th February 2023. The precepting bodies Council Tax requirements will be included in the formal resolutions which will be presented to Council on 27th February.
- 3.51 Business Rates collection data as at December is projected to be £1.220m below target.

4. IMPLICATIONS

Financial Implications

- 4.1 Financial implications are set out in section 3.

Legal Implications

- 4.2 A number of statutes governing the provision of services covered by this report contain express powers or duties to charge for services. Where an

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express power to charge does not exist the Council has the power under Section 111 of the Local Government Act 1972 to charge where the activity is incidental or conducive to or calculated to facilitate the Council's statutory function.

Service / Operational Implications

- 4.3 Service implications of savings proposals are set out in the Savings Proposal Document in the background papers.

Customer / Equalities and Diversity Implications

- 4.4 There are none of these in Tranche 1, although it is expected there will be impacts in Tranche 2 where further savings will be required.

5. RISK MANAGEMENT

- 5.1 There is a risk that if fees and charges are increased that income levels will not be achieved, and the cost of services will increase. This is mitigated by managers reviewing their fees and charges annually. The ongoing risks are set out in the Robustness Statement section.

6. APPENDICES and BACKGROUND PAPERS

Appendix A – Reserves Statement
Appendix B – Detailed Capital Programme
Appendix C – Asset, Treasury Management, and Investment Strategies

Background Papers

MTFP Update – Cabinet 18th January, 2023
Tranche 1 MTFP – Cabinet 26th October 2023: Agenda for Cabinet,
26/10/2022 18:00 (bromsgrove.gov.uk)
MTFP 2022/23 – Approved February 2022: Agenda Document for Council,
23/02/2022 18:00 (bromsgrove.gov.uk)

7. KEY

None

Appendix A – Reserves Statement

	Balance at 31/3/21	Transfers In 2021/22	Transfers out 2021/22	Balance at 31/3/22	Transfers In 2022/23	Transfers out 2022/23	Re-baseline 2022/23	Balance at 31/3/23	Transfers in 2023/24	Transfers out 2023/24	Balance at 31/3/24	Transfers in 2024/25	Transfers out 2024/25	Balance at 31/3/25	Transfers in 2025/26	Transfers out 2025/26	Balance at 31/3/26
General Fund Reserve	4,613	367	(495)	4,485	(1,472)	2,662	5,695	100	(250)	5,545	244	0	5,789	200	(431)	5,558	
General Fund Earmarked Reserves:																	
Building Control Other	7			7		(7)	0				0					0	
Building Control Partnerships	82			82			82				82					82	
Business Transformation	0			0			0				0					0	
Commercialism	0			0			0				0					0	
Community Safety	0			0			0				0					0	
Community Services	271			271			271		(125)	146	21					21	
Economic Regeneration	1,348		(360)	988			398			398						398	
Election Services	51			51			51			51						51	
Environmental Services	49			49			49			49						49	
Financial Services	4,445		(100)	4,345	(160)	(1,000)	3,185	638		3,833						3,833	
Housing Schemes	488		(142)	346			346			346						346	
ICT/Systems	197			197			197			197						197	
Leisure/Community Safety	330			330			330			330						330	
Litigation Reserve	0			0			0			0						0	
Local Development Framework	0			0			0			0						0	
Local Neighbourhood Partnerships	16			16			16			16						16	
Other	108		(44)	64		(64)	0			0						0	
Planning & Regeneration	133			133			133			133						133	
Regulatory Services (Partner Share)	46			46			46			46						46	
Replacement Reserve (Inc. Recycling)	0			0			0			0						0	
Shared Services (Severance Costs)	311			311		(311)	0			0						0	
Utilities Reserve	0			0			1,063			(351)	702		(351)	351		351	
Covid-19 (General Covid Grant)	766	411		1,177			(1,177)	0		0				0		0	
Covid-19 Sales Fees and Charges	0	576		576			(576)	0		0				0		0	
Covid-19 (Collection Fund)	4,641		(1,547)	3,094		(1,547)	1,547			(1,547)				0		0	
Total General Fund	13,289	987	(2,183)	12,093	0	(1,637)	7,714	638	(2,023)	6,329	0	(476)	5,853	0	(351)	5,502	

Appendix B – Capital Programme

Cap Proj	Description	Department	Funding detail	2021/22 Total Spend £	2022/23 Total Spend £	2022/23 Spend to 10/1 £	2023/24 Total £	2024/25 Total £	2025/26 Total £	Council			3rd Party						
										21/22	22/23	23/24	24/25	25/26	21/22	22/23	23/24	24/25	25/26
	Large Schemes																		
	Leveling Up Fund																		
	- Government Funded	Planning, Regeneration & Leisure Services	Grant Funding	1,600,000	5,329,041	24,000	7,563,360								1,600,000	5,329,041	7,563,360	0	0
	- Council Funded		Borrowing	385,000	420,133		805,133												
	UK Shared Prosperity Fund																		
	- Capital Element	Planning, Regeneration & Leisure Services	Grant Funding		50,000										0	50,000	0	0	0
	- Revenue Element	Planning, Regeneration & Leisure Services	Grant Funding		290,499										0	290,499	0	0	0
	- Remainder (to be allocated)	Planning, Regeneration & Leisure Services	Grant Funding		20,000		680,988	1,784,215							0	20,000	680,988	1,784,215	0
	Schemes Agreed to Continue																		
200006	Burcot Lane	Financial & Customer Services	Public works loan board and grant homes england	9,275,000	0	5,686,000	0	0	0										
200007	CCTV	Community & Housing GF Services	Capital Receipts/Borrowing	67,376	0	0	0	0	0										
200008	Funding for DFGs	Community & Housing GF Services	Grant income WCC	1,416,101	913,000	728,000	913,000	913,000	0						1,416,101	913,000	913,000	913,000	0
200009	Home Repairs Assistance	Community & Housing GF Services	Long Term Debtors	111,221	50,000	4,000	50,000	50,000	50,000										
200010	Energy Efficiency Installation	Community & Housing GF Services	Capital Receipts/Borrowing	65,988	110,000	8,000	0	0	0										
200011	Energy Efficiency	Community & Housing GF Services	Grant finance	5,000	0	0	0	0	0						5,000	0	0	0	0
200015	Cemetery Extension Infrastructure at North Bromsgrove Cemetery Phase Two	Environmental Services	Capital Receipts/Borrowing	8,000	6,500	16,000	0	0	0										
200016	New Finance Enterprise	Financial & Customer Services	Capital Receipts	0	0	14,000	0	0	0										
200017	OLEV/ULEV Taxi infrastructure scheme	Community & Housing GF Services	Grants & Contributions	200,000	0	1,000	0	0	0										
200019	Fleet Replacement new line		Borrowing	1,568,000	356,000	74,000	441,000	1,190,000	1,215,000										
				1,568,000	356,000	74,000	441,000	1,190,000	1,215,000										

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Cap Proj	Description	Department	Funding detail	2021/22 Total Spend £	21/22 Spend £	2022/23 Total £	22/23 Spend to 10/1 £	2023/24 Total £	2024/25 Total £	2025/26 Total £	Council 21/22 £	Council 22/23 £	Council 23/24 £	Council 24/25 £	Council 25/26 £	3rd Party 21/22 £	3rd Party 22/23 £	3rd Party 23/24 £	3rd Party 24/25 £	3rd Party 25/26 £	
200022	Replacement Parking machines	Environmental Services	Capital Receipts/Borrowing	250,000	196,000	253,000	98,000	96,000	421,000	0	250,000	253,000	96,000	421,000	0						
200030	Wheellie Bin Purchase	Environmental Services	Capital Receipts/Borrowing	139,000	102,000	144,000	0	55,000	60,000	60,000	139,000	144,000	55,000	60,000	60,000						
New	Footpaths	Environmental Services	Borrowing					75,000	75,000	75,000			75,000	75,000	75,000						
New	Buildings	Legal and Property	Borrowing					100,000	100,000	100,000			100,000	100,000	100,000						
200040	Bittell road recreation ground	Planning, Regeneration & Leisure Services	\$106 0/2011/0741 - Land at Fieri Hill, Barnt Green / 18k balances	18,000	17,000	0	0	0	0	0	18,000										
200044	Salix	Legal, Democratic and property services	Grants & Contributions	615,000	65,000	0	533,000	0	0	0						18,000	0	0	0	0	0
200045	Greener Homes	Community & Housing GF Services	Grants & Contributions	476,900	-227,000	0	5	0	0	0						615,000	0	0	0	0	0
200057	Hagley Scouts	Planning, Regeneration & Leisure Services	Capital Receipts/Borrowing	0	35,000	0	0	0	0	0						476,900	0	0	0	0	0
200048	Bromsgrove Sporting		Loan		4,000		26,000				0	0	0	0	0	0	0	0	0	0	0
200061	Car Park Improvements - Oakalls				8,000		0									0	0	0	0	0	0
200034	Woodrush High Schools				134,000		0									0	0	0	0	0	0
200026	Rubery Redevelopment Works	Planning, Regeneration & Leisure Services	Capital Receipts/Borrowing	32,738	0	0	0	0	0	0	32,738	0	0	0	0						
200029	Sanders Park dda play provision	Planning, Regeneration & Leisure Services	\$106 14/0755 Kidderminster Road and S106 13/0422 Meadows first school	35,000	0	0	0	0	0	0											
200032	New Digital Service	Community & Housing GF Services	Borrowing	33,668	0	33,668	0	33,668	0	0	33,668	33,668	33,668	0	0						
200033	Bus Shelters	Environmental Services	Borrowing	36,000	0	18,000	0	0	0	0	36,000	18,000	0	0	0						
200034	Fleet Management Computer System	Environmental Services	Borrowing	16,600	0	0	0	0	0	0	16,600	0	0	0	0						
200035	Environmental Services Computer System	Environmental Services	Borrowing	157,200	0	0	0	0	0	0	157,200	0	0	0	0						

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15th February 2023

Cap Proj	Description	Department	Funding detail	2021/22 Total Spend £	21/22 Spend £	2022/23 Total Spend £	22/23 Spend to 10/1 £	2023/24 Total £	2024/25 Total £	2025/26 Total £	Council 21/22 £	Council 22/23 £	Council 23/24 £	Council 24/25 £	Council 25/26 £	3rd Party 21/22 £	3rd Party 22/23 £	3rd Party 23/24 £	3rd Party 24/25 £	3rd Party 25/26 £	
200069	Cisco Network Update	Business transformation & Organisational Development	Borrowing	0	0	5,717	0	11,574	0	34,877	0	5,717	11,574	0	34,877	0	0	0	0	0	
200070	Server Replacement Est(Exact known Q2 2022)	Business transformation & Organisational Development	Borrowing	0	0	83,250	0	2,000	177,500	18,500	0	83,250	2,000	177,500	18,500	0	0	0	0	0	
200071	Laptop Refresh	Business transformation & Organisational Development	Borrowing	0	0	5,000	0	25,000	150,000	5,000	0	5,000	25,000	150,000	5,000	0	0	0	0	0	
new	Play Area, POS and Sport improvements at Lickey End Recreation Ground in accordance with the S106 Agreement	Planning, Regeneration & Leisure Services	S106 19/0137/FUL	0	0	37,956	0	0	0	0	0	0	0	0	0	0	37,956	0	0	0	
200002	BDC Combined F/Path & Cycle	Environmental Services	Grants & Contributions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Barrt Green Millenium Park - Toilet	Planning, Regeneration & Leisure Services	S106 B/2011/0741 - Land at Firy Hill, Barrt Green /18k balances	0	0	0	0	0	0	1,597,377	0	0	0	0	0	0	0	0	0	1,597,377	
	Total			16,511,792	4,675,000	8,125,764	7,222,065	10,851,723	4,920,715	3,155,755	12,145,791	1,485,268	1,694,375	2,223,500	1,558,377	0	4,366,001	6,640,496	9,157,348	2,697,215	1,597,377

BROMSGROVE CAPITAL STRATEGY REPORT 2023/24

Introduction

- 3.1 This capital strategy report 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. It has been written in an accessible style to enhance members' understanding of these sometimes-technical areas.
- 3.2 Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

Capital Expenditure and Financing

- 3.3 Capital expenditure is where the Authority 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, and loans and grants to other bodies enabling them to buy assets.
- 3.4 In 2023/24, the Authority is planning capital expenditure of £10.851as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2021/21 Actual	2022/23 Forecast	2023/24 budget	2024/25 budget	2025/26 budget
General Fund services	2.461	2.798	1.383	3.742	3.156
Regeneration	3.006	13.749	9.468	1.178	0.000
TOTAL	5.467	16.547	10.851	4.920	3.156

The Council is still to finalise work required for the adoption of IFRS16 linking to the accounting for leases which must be implemented by the 2024/5 financial year.

- 3.5 The main General Fund capital projects include the completion of the Burcot development which is reaching its conclusion at £10.3m, Levelling Up Projects of £16.1m which need to be delivered by March 2026, UK Shared Prosperity Funding of £2.8m which need to be delivered by 2025, and the replacement of the Fleet at £2.8m. Following a change in the Prudential Code, the Authority confirms it does not incur capital expenditure on investments.

3.6 **Governance:** Service managers bid annually to include projects in the Authority’s capital programme. Bids are collated by corporate finance who calculate the financing cost (which can be nil if the project is fully externally financed). The Cabinet appraises all bids based on a comparison of strategic priorities against financing costs and makes recommendations to council. These recommendations are scrutinised by the Finance and Budget Scrutiny Working Group. The final capital programme is then presented to Cabinet and then Council in February each year.

- For full details of the Authority’s capital programme, including the project appraisals undertaken, see: 2023/24 MTFP Phase 2 – Cabinet 15th February 2023.

3.7 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Authority’s own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

	2021/21 Actual	2022/23 Forecast	2023/24 budget	2024/25 budget	2025/26 budget
External sources	2.71	8.156	9.157	2.697	1.597
Own resources	2.757	8.391	1.694	2.224	1.558
TOTAL	5.467	16.547	10.851	4.921	3.155

The Council is still to finalise work required for the adoption of IFRS16 linking to the accounting for leases which must be implemented by the 2024/5 financial year.

3.8 Debt is only a temporary source of finance, since loans and leases must be repaid, and this 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. Planned MRP and use of capital receipts are as follows:

Table 3: Replacement of prior years’ debt finance in £ millions

	2021/21 Actual	2022/23 Forecast	2023/24 budget	2024/25 budget	2025/26 budget
Minimum Revenue Provision	1.025	1.081	1.072	0.978	1.198
Capital Receipts	0	0.000	4.800	0.000	0.000

- The Authority’s full minimum revenue provision statement is available as part of these papers.

3.9 The Authority’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 and capital receipts used to replace debt. The CFR is expected to decrease by £4.1m during 2023/24. Based on the above figures for expenditure and financing, the Authority's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	31.3.2022 actual	31.3.2023 forecast	31.3.2024 budget	31.3.2025 budget	31.3.2026 budget
General Fund services	19.921	16.488	16.591	26.126	27.665
Capital investments	3.006	13.749	9.468	1.178	0.000
TOTAL CFR	22.9	30.2	26.1	27.3	27.7

The Council is still to finalise work required for the adoption of IFRS16 linking to the accounting for leases which must be implemented by the 2024/5 financial year.

3.10 **Asset management:** To ensure that capital assets continue to be of long-term use, the Authority has an asset management strategy in place. Within this strategy, individual properties and associated land will be further evaluated to determine:

- The operational necessity and benefit.
- Projected costs of ensuring all elements of the buildings continue to meet legislative requirements and performance standards.
- Planned and cyclical maintenance costs for elements nearing the end of their 'life' expectancy, ensuring service provision is maintained without unnecessary interruption. Costs associated with meeting future EPC rating minimum requirements.
- Rent levels (and net costs for each building) and revised leases.
- Alternative or rationalised portfolio or joint enterprises for service delivery

By evaluation of all factors cited above, informed decisions can be made to determine which assets are:

- No longer cost effective to run, where outlay exceeds earning potential
- No longer viable for effective service delivery
- Surplus to requirements

Asset considerations will be presented to Cabinet on a half yearly basis, for approval for disposal, unless there is an urgent requirement for a decision.

The Authority's asset management strategy can be read here: Cabinet 26th October 2022.

- 3.11 **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 Authority is currently also permitted to spend capital receipts “flexibly” on service transformation projects until 2023/24 although this will not be required.. Repayments of capital grants, loans and investments also generate capital receipts. The Authority plans to receive £4.8m of capital receipts in the coming financial year from the Burcot development as follows:

Table 5: Capital receipts receivable in £ millions

	2021/21 Actual	2022/23 Forecast	2023/24 budget	2024/25 budget	2025/26 budget
Capital Receipts	0.000	0.000	4.800	0.000	0.000
Loans, etc, Repaid	0.000	0.000	0.000	0.000	0.000

Treasury Management

- 3.12 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority’s spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Authority 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.
- 3.13 Due to decisions taken in the past, the Authority currently has no external long term (over 1 year) borrowing and £8.3m treasury investments at an average rate of 1.75% in 2022/23.
- 3.14 **Borrowing strategy:** The Authority’s main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Authority therefore seeks to strike a balance between cheaper short-term loans and long-term fixed rate loans where the future cost is known but higher.
- 3.15 The Authority does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.
- 3.16 Projected levels of the Authority’s total outstanding debt (which comprises borrowing, leases and transferred debt) are shown below, compared with the capital financing requirement (see above).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	31.3.2022 actual	31.3.2023 forecast	31.3.2024 budget	31.3.2025 budget	31.3.2026 budget
Debt (incl. PFI & leases)	0.3	8.3	18.3	18.3	18.3
Capital Financing Requirement	22.9	30.2	26.1	27.3	27.7

3.17 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Authority expects to comply with this in the medium term.

3.18 Liability benchmark: To compare the Authority’s actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £0.2m at each year-end. This benchmark is currently £12.2m and is forecast to rise to £15.5m over the next three years.

Table 7: Borrowing and the Liability Benchmark in £ millions

	31.3.2022 actual	31.3.2023 forecast	31.3.2024 budget	31.3.2025 budget	31.3.2026 budget
Forecast external borrowing	0.3	8.3	18.3	18.3	18.3
Liability benchmark	3.0	13.9	12.0	13.6	14.6

3.19 The table shows that the Authority will borrow above its liability benchmark from the 2023/24 financial year. This is because cash outflows to date have been below the assumptions made when the loans were borrowed, but this will change in 2023/24.

3.20 Affordable borrowing limit: The Authority 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.

Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2021/22 limit	2022/23 limit	2023/24 limit	2024/25 limit	2025/26 limit
Authorised limit - borrowing	40,000	50,000	55,000	60,000	65,000
Authorised limit - PFI and leases	500	1,000	1,000	1,000	1,000
Authorised limit - total external debt	40,500	51,000	56,000	61,000	66,000
Operational boundary - borrowing	35,000	45,000	50,000	55,000	60,000
Operational boundary - PFI and leases	500	1,000	1,000	1,000	1,000
Operational boundary - total external debt	35,500	46,000	51,000	56,000	61,000

3.21 Treasury 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.

3.22 The Authority's policy on treasury investments is to prioritise security and liquidity over yield, that is 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 Authority may request its money back at short notice.

Table 9: Treasury management investments in £millions

	31.3.2022 actual	31.3.2023 forecast	31.3.2024 budget	31.3.2025 budget	31.3.2026 budget
Near-term investments	5	8	5	5	5
Longer-term investments	0	0	0	0	0
TOTAL	5	8	5	5	5

➤ Further details on treasury investments are in the Treasury Management Strategy part of this appendix

3.24 Risk management: The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury

management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

- The treasury management prudential indicators are in the treasury management strategy which are part of these appendices.

3.25 Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance and staff, who must act in line with the treasury management strategy approved by Council. Half Yearly reports on treasury management activity are presented to Cabinet. The Audit, Standards and Governance Committee is responsible for scrutinising treasury management decisions.

Investments for Service Purposes

3.26 The Authority makes investments to assist local public services, including making loans to local service providers, local small businesses to promote economic growth, the Authority's subsidiaries that provide services. Total investments for service purposes are currently valued at £0m.

3.27 Risk management: In light of the public service objective, the Authority is willing to take more risk than with treasury investments, however it still plans for such investments to break even after all costs. A limit of £2.5m is placed on total investments for service purposes to ensure that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services.

3.28 Governance: Decisions on service investments are made by the relevant service manager in consultation with the Director of Finance and must meet the criteria and limits laid down in the investment strategy. Most loans are capital expenditure and purchases will therefore also be approved as part of the capital programme. The relevant service director] is responsible for ensuring that adequate due diligence is carried out before investment is made.

- Further details on service investments are in the Treasury Management Strategy

Commercial Activities

3.29 With central government financial support for local public services declining, and the Change in PWLB regulations, the Council does not invest in commercial property purely or mainly for financial gain. It has Towns Funding of over £16m to deliver schemes over the next three years and the Burcot Housing Scheme is now coming to its completion.

3.30 Risk management: The Council will not make investments in commercial property purely or mainly for financial gain in the future. It might for re-generational purposes and if that is the case once regeneration have been delivered the Authority will assesses the risk of loss before entering into commercial agreements by using specialist advice to understand the market and the potential future demands of the market and the customers in it. It will also use benchmarking data from the market to determine future potential risks which need to be planned for. External advice will be sought from credible sources eg acknowledged experts in their fields, and officers ensure that they fully understand any information given to them before decision or advice is taken.

3.31 Governance: Decisions on commercial investments are made by Head of Finance and Customer Services in line with the criteria and limits approved by Council in the Investment strategy. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme. The Head of Finance and Customer Services is responsible for ensuring that adequate due diligence is carried out before investment is made.

Table 10: Prudential indicator: Net income from commercial and service investments to net revenue stream

	2021/21 Actual	2022/23 Forecast	2023/24 budget	2024/25 budget	2025/26 budget
Total Net Income	0	0	0	0	0
Proportion of net Revenue Stream	0%	0%	0%	0%	0%

Liabilities

3.33 The Authority is committed to making future payments to cover its pension fund deficit (which is in surplus as per the 2022 Triennial revaluation and the backlog will be cleared in 2037). It has also set aside £2.4m for Business Rates Appeals.

3.24 Governance: Decisions on incurring new discretionary liabilities are taken by Heads of Service in consultation with the Director of Finance. The risk of liabilities crystallising and requiring payment is monitored by corporate finance and reported quarterly to Cabinet. New liabilities exceeding £0.5m are reported to full council for approval/notification as appropriate.

Revenue Budget Implications

3.35 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue. The net annual charge is known as 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 11: Prudential Indicator: Proportion of financing costs to net revenue stream

	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
Financing costs (£m)	1.081	1.072	0.978	1.198
Proportion of net revenue stream	9.4%	8.3%	8.1%	9.7%

The Council is still to finalise work required for the adoption of IFRS16 linking to the accounting for leases which must be implemented by the 2024/5 financial year.

- 3.36 Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Director of Finance is satisfied that the proposed capital programme is prudent, affordable and sustainable because of the current Medium Term Financial Plan (MTFP) forecasts which show that the Council is financially sustainable over that period.

Knowledge and Skills

- 3.37 The Authority employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Executive Director of Finance and Head of Service are qualified accountant with significant experience. The Authority pays for junior staff to study towards relevant professional qualifications including CIPFA and AAT.
- 3.38 Where Authority staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Authority currently employs Arlingclose Limited as treasury management advisers, and Bruton Knowles as property consultants. This approach is more cost effective than employing such staff directly, and ensures that the Authority has access to knowledge and skills commensurate with its risk appetite.
- Further details on staff training can be found in the HR Employee Development section of the website.

TREASURY MANAGEMENT STRATEGY REPORT 2023/24

Introduction

- 3.1 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested] substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.
- 3.2 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.
- 3.3 Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

External Context

Economic background:

- 3.4 The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, will be major influences on the Authority's treasury management strategy for 2023/24.
- 3.5 The Bank of England (BoE) increased Bank Rate by 0.75% to 3.0% in November 2022, the largest single rate hike since 1989 and the eighth successive rise since December 2021. The decision was voted for by a 7-2 majority of the Monetary Policy Committee (MPC), with one of the two dissenters voting for a 0.50% rise and the other for just a 0.25% rise.
- 3.6 The November quarterly Monetary Policy Report (MPR) forecast a prolonged but shallow recession in the UK with CPI inflation remaining elevated at over 10% in the near-term. While the projected peak of inflation is lower than in the August report, due in part to the government's support package for household energy costs, inflation is expected remain higher for longer over the forecast horizon and the economic outlook remains weak, with unemployment projected to start rising.

- 3.7 The UK economy grew by 0.2% between April and June 2022, but the BoE forecasts Gross Domestic Product (GDP) will decline 0.75% in the second half of the calendar year due to the squeeze on household income from higher energy costs and goods prices. Growth is then expected to continue to fall throughout 2023 and the first half of 2024.
- 3.8 CPI inflation is expected to peak at around 11% in the last calendar quarter of 2022 and then fall sharply to 1.4%, below the 2% target, in two years' time and to 0% in three years' time if Bank Rate follows the path implied by financial markets with a peak of 5.25%. However the BoE has stated it considers this path to be too high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target.
- 3.9 The labour market remains tight for now, with the most recent statistics showing the unemployment rate fell to 3.5%, driven mostly by a shrinking labour force. Earnings were up strongly in nominal terms by 6% for total pay and 5.4% for regular pay but factoring in inflation means real total pay was -2.4% and regular pay -2.9%. Looking forward, the MPR shows the labour market weakening in response to the deteriorating outlook for growth, leading to the unemployment rate rising to around 6.5% in 2025.
- 3.10 Interest rates have also been rising sharply in the US, with the Federal Reserve increasing the range on its key interest rate by 0.75% in November 2022 to 3.75%-4.0%. This was the fourth successive 0.75% rise in a pace of tightening that has seen rates increase from 0.25%-0.50% in March 2022. Annual inflation has been slowing in the US but remains above 8%. GDP grew at an annualised rate of 2.6% between July and September 2022, a better-than-expected rise, but with official interest rates expected to rise even further in the coming months, a recession in the region is widely expected at some point during 2023.
- 3.11 Inflation has been rising consistently in the Euro Zone since the start of the year, hitting an annual rate of 10.7% in October 2022. Economic growth has been weakening with an expansion of just 0.2% in the three months to September 2022. As with the UK and US, the European Central Bank has been on an interest rate tightening cycle, pushing up its three key interest rates by 0.75% in October, the third major increase in a row, taking its main refinancing rate to 2% and deposit facility rate to 1.5%.

Credit outlook:

- 3.12 Credit default swap (CDS) prices have followed an upward trend throughout the year, indicating higher credit risk. They have been boosted by the war in Ukraine, increasing economic and political uncertainty and a weaker global and UK outlook, but remain well below the levels seen at the beginning of the Covid-19 pandemic.

- 3.13 CDS price volatility has been higher in 2022 compared to 2021 and this year has seen a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.
- 3.14 The weakening economic picture during 2022 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several local authorities and financial institutions, revising them from to negative from stable.
- 3.15 There are competing tensions in the banking sector which could impact bank balance sheet strength going forward. The weakening economic outlook and likely recessions in many regions increase the possibility of a deterioration in the quality of banks' assets, while higher interest rates provide a boost to net income and profitability.
- 3.16 However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast (November 2022):

- 3.17 The Authority's treasury management adviser Arlingclose forecasts that Bank Rate will continue to rise in 2022 and 2023 as the Bank of England attempts to subdue inflation which is significantly above its 2% target.
- 3.18 While interest rate expectations reduced during October and November 2022, multiple interest rate rises are still expected over the forecast horizon despite looming recession. Arlingclose expects Bank Rate to rise to 4.25% by June 2023 under its central case, with the risks in the near- and medium-term to the upside should inflation not evolve as the Bank forecasts and remains persistently higher.
- 3.19 Yields are expected to remain broadly at current levels over the medium-term, with 5-, 10- and 20-year gilt yields expected to average around 3.6%, 3.7%, and 3.9% respectively over the 3-year period to September 2025. The risks for short, medium and longer-term yields are judged to be broadly balanced over the forecast horizon. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.
- 3.20 A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix A.
- 3.21 For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 2.0%, and that new long-term loans will be borrowed at an average rate of 4.57% which is the PWLB rate for 40 year debt on the 16th January 2022.

Local Context

- 3.22 On 31st December 2022, the Authority held £0m of borrowing and £8.3m of treasury investments. This is set out in further detail in this report. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.22	31.3.23	31.3.24	31.3.25	31.3.26
	Actual	Estimate	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m
General Fund CFR	19.921	16.488	16.591	26.126	27.665
Investments CFR	3.006	13.749	9.468	1.178	0.000
Total CFR	22.927	30.237	26.059	27.304	27.665
Less: External borrowing **	0.275	8.275	18.275	18.275	18.275
Internal (over) borrowing	22.652	21.962	7.784	9.029	9.390
Less: Usable reserves	-17.000	-13.400	-11.200	-10.800	-10.200
Less: Working capital	-3.100	-3.100	-3.100	-3.100	-3.100
Treasury investments (or New borrowing)	2.552	5.462	-6.516	-4.871	-3.910

- 3.23 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Authority has an increasing CFR due to the capital programme, but minimal investments but will be funding the programme through internal borrowing, following the requirement for debt funding in 2022/23.

- 3.24 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2023/24.

- 3.25 Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £0.2m at each year-end to maintain sufficient liquidity but minimise credit risk.

- 3.26 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 2: Prudential Indicator: Liability benchmark

	31.3.22	31.3.23	31.3.24	31.3.25	31.3.26
	Actual	Estimate	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m
CFR	22.9	30.2	26.1	27.3	27.7
Less: Usable reserves	-17	-13.4	-11.2	-10.8	-10.2
Less: Working capital	-3.1	-3.1	-3.1	-3.1	-3.1
Plus: Minimum investments	0.2	0.2	0.2	0.2	0.2
Liability Benchmark	3.0	13.9	12.0	13.6	14.6

3.27 Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes capital expenditure funded by internal borrowing.

Borrowing Strategy

3.28 The Authority currently holds no loans, no change on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority expects not to borrow in 2023/24. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £56 million.

3.29 Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

3.30 Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

3.31 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term] borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2023/24 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

3.32 The Authority has previously raised the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks,

pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.

3.33 Alternatively, the Authority may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

3.34 In addition, the Authority may borrow short-term loans to cover unplanned cash flow shortages.

3.35 Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Worcestershire Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

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

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

3.27 Municipal Bonds Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

3.28 Short-term and variable rate loans: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the

interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

- 3.29 Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

Treasury Investment Strategy

- 3.31** The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's treasury investment balance has ranged between £2 and £15 million, and similar levels are expected to be maintained in the forthcoming year.
- 3.32 Objectives:** The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Authority aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.
- 3.33 Strategy:** As demonstrated by the liability benchmark above, the Authority expects to be a long-term investor and treasury investments will therefore include both short-term low risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income to support local public services.
- 3.34** The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the Authority may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.

3.35 ESG policy: Environmental, social and governance (ESG) considerations are increasingly a factor in global investors’ decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority’s ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code

3.36 Business models: Under the IFRS 9 standard, the accounting for certain investments depends on the Authority’s “business model” for managing them. The Authority aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

3.37 Approved counterparties: The Authority may invest its surplus funds with any of the counterparty types in table 3 below, subject to the limits shown.

Table 3: Treasury investment counterparties and limits

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£3 m 5 years	£3m 20 years	£3m 50 years	£3m 20 years	£1m 20 years
AA+	£3m 5 years	£3m 10 years	£3m 25 years	£3m 10 years	£1m 10 years
AA	£3m 4 years	£3m 5 years	£3m 15 years	£3m 5 years	£1m 10 years
AA-	£3m 3 years	£3m 4 years	£3m 10 years	£3m 4 years	£1m 10 years
A+	£3m 2 years	£3m 3 years	£3m 5 years	£3m 3 years	£1m 5 years
A	£3m 13 months	£3m 2 years	£3m 5 years	£3m 2 years	£1m 5 years
A-	£3m 6 months	£3m 13 months	£3m 5 years	£3m 13 months	£1m 5 years
None	£1.5m 6 months	n/a	£3m 25 years	£1m 5 years	£500k 5 years
Pooled funds and real estate investment trusts		£2.5m per fund or trust			

- 3.38 * Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than [A-]. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
- 3.39 For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £500,000 per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.
- 3.40 Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.
- 3.41 Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.
- 3.42 Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- 3.43 Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

- 3.44 Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- 3.45 Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.
- 3.46 Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.
- 3.47 Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.
- 3.48 Operational bank accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £2.0m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.
- 3.49 Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

- 3.50 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “negative watch”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

- 3.51 **Other information on the security of investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority’s treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

- 3.52 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority’s cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

- 3.53 **Investment limits:** The Authority’s revenue reserves available to cover investment losses are forecast to be £13.4 million on 31st March 2023 and £11.0 million on 31st March 2024. In order that no more than 45% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

- 3.54 Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £2m in operational bank accounts count against the relevant investment limits.

- 3.55 Limits are also placed on fund managers, investments in brokers’ nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Additional investment limits

	Cash limit
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Any single organisation, except the UK Central Government	£5m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£5m per group
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker's nominee account	£5m per broker
Foreign countries	£5m per country
Registered providers and registered social landlords	£2.5m in total
Unsecured investments with building societies	£2.5m in total
Loans to unrated corporates	£1m in total
Money market funds	£20m in total
Real estate investment trusts	£2.5m in total

3.55 Liquidity management: The Authority uses detailed spreadsheets to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

3.56 The Authority will spread its liquid cash over at least four providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

Treasury Management Prudential Indicators

3.57 The Authority measures and manages its exposures to treasury management risks using the following indicators.

3.58 Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit [rating / score]	A-

3.59 Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

Liquidity risk indicator	Target

Total cash available within 3 months	£2.5m
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3.61 Interest rate exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£500,000
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£500,000

3.62 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

3.63 Maturity structure of borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	50%	0%
10 years and above	100%	0%

As the Council holds no external debt, this maturity structure allows the Council this highest level of flexibility for future debt.

3.64 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

3.65 Long-term treasury management investments: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

Price risk indicator	2023/24	2024/25	2025/26	No fixed date
Limit on principal invested beyond year end	£1.5m	£1.0m	£0.5m	£0m

3.66 Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

Related Matters

- 3.67 The CIPFA Code requires the Authority to include the following in its treasury management strategy.
- 3.68 Financial derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 3.69 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 3.70 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.
- 3.71 In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
- 3.74 **Markets in Financial Instruments Directive:** The Authority has retained retail client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a smaller range of services but with the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Director of Finance believes this to be the most appropriate status.

Financial Implications

- 3.75 The budget for investment income in 2023/24 is £0.1 million, based on an average investment portfolio of £5.0 million at an interest rate of 2.0%. The budget for debt interest paid in 2023/24 is £0.3 million. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

3.76 Where investment income exceeds budget, e.g. from higher risk investments including pooled funds, or debt interest paid falls below budget, e.g. from cheap short-term borrowing, then 50% of the revenue savings will be transferred to a treasury management reserve to cover the risk of capital losses or higher interest rates payable in future years.

Other Options Considered

3.77 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Finance, having consulted the Cabinet Member for Finance and Enabling, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A – Arlingclose Economic & Interest Rate Forecast – November 2022

Underlying assumptions:

- UK interest rate expectations have eased following the mini-budget, with a growing expectation that UK fiscal policy will now be tightened to restore investor confidence, adding to the pressure on household finances. The peak for UK interest rates will therefore be lower, although the path for interest rates and gilt yields remain highly uncertain.
- Globally, economic growth is slowing as inflation and tighter monetary policy depress activity. Inflation, however, continues to run hot, raising expectations that policymakers, particularly in the US, will err on the side of caution, continue to increase rates and tighten economies into recession.
- The new Chancellor dismantled the mini-budget, calming bond markets and broadly removing the premium evident since the first Tory leadership election. Support for retail energy bills will be less generous, causing a lower but more prolonged peak in inflation. This will have ramifications for both growth and inflation expectations.
- The UK economy is already experiencing recessionary conditions, with business activity and household spending falling. Tighter monetary and fiscal policy, alongside high inflation will bear down on household disposable income. The short-to medium-term outlook for the UK economy is bleak, with the BoE projecting a protracted recession.
- Demand for labour remains strong, although there are some signs of easing. The decline in the active workforce has fed through into higher wage growth, which could prolong higher inflation. The development of the UK labour market will be a key influence on MPC decisions. It is difficult to see labour market strength remaining given the current economic outlook.
- Global bond yields have steadied somewhat as attention turns towards a possible turning point in US monetary policy. Stubborn US inflation and strong labour markets mean that the Federal Reserve remains hawkish, creating inflationary risks for other central banks breaking ranks.
- However, in a departure from Fed and ECB policy, in November the BoE attempted to explicitly talk down interest rate expectations, underlining the damage current market expectations will do to the UK economy, and the probable resulting inflation undershoot in the medium term. This did not stop the Governor affirming that there will be further rises in Bank Rate.

Forecast:

- The MPC remains concerned about inflation but sees the path for Bank Rate to be below that priced into markets.
- Following the exceptional 75bp rise in November, Arlingclose believes the MPC will slow the rate of increase at the next few meetings. Arlingclose now expects Bank Rate to peak at 4.25%, with a further 50bp rise in December and smaller rises in 2023.

Agenda Item 11b

- The UK economy likely entered into recession in Q3, which will continue for some time. Once inflation has fallen from the peak, the MPC will cut Bank Rate.
- Arlingclose expects gilt yields to remain broadly steady despite the MPC's attempt to push down on interest rate expectations. Without a weakening in the inflation outlook, investors will price in higher inflation expectations given signs of a softer monetary policy stance.
- Gilt yields face pressures to both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. BoE bond sales will maintain yields at a higher level than would otherwise be the case.

	Current	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25
Arlingclose Central Case	3.00	3.50	4.00	4.25	4.25	4.25	4.25	4.00	3.75	3.50	3.50	3.50	3.50
Downside risk	0.00	0.25	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25
Arlingclose Central Case	3.00	3.90	4.40	4.40	4.40	4.35	4.30	4.25	4.00	3.75	3.75	3.75	3.75
Downside risk	0.00	0.25	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
5yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.36	3.65	3.90	3.90	3.90	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20
Downside risk	0.00	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
10yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.46	3.70	3.75	3.75	3.75	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70
Downside risk	0.00	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
20yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.88	4.00	4.00	4.00	4.00	4.00	3.90	3.90	3.90	3.90	3.90	3.90	3.90
Downside risk	0.00	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
50yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.24	3.40	3.40	3.40	3.40	3.40	3.30	3.30	3.30	3.30	3.30	3.30	3.30
Downside risk	0.00	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

UKIB Rate (Maturity Loans) = Gilt yield + 0.60%

Appendix B – Existing Investment & Debt Portfolio Position

	31/1/23 Actual portfolio £m	31/1/23 Average rate %
External borrowing:		
Public Works Loan Board		0
Local authorities		
LOBO loans from banks		
Other loans		
Total external borrowing	0	0
Other long-term liabilities:		
Private Finance Initiative		
Leases		
Transferred Debt		
Total other long-term liabilities		
Total gross external debt	0	0
Treasury investments:		
The UK Government	5.3	
Local authorities		
Other government entities		
Secured investments		
Banks (unsecured)		
Building societies (unsecured)		
Registered providers (unsecured)		
Money market funds	3.0	
Strategic pooled		
Real estate investment trusts		
Other investments		
Total treasury investments	8.3	1.75
Net debt	(8.3)	

Annual Minimum Revenue Provision Statement 2023/24

Introduction

- 3.1 Where the Authority 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 Authority to have regard to the former Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2018.
- 3.2 The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed 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.
- 3.3 The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.
- For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate of 4%, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
 - For assets acquired by leases MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
 - Where former operating leases have been brought onto the balance sheet due to the adoption of the *IFRS 16 Leases* accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.
 - For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred on the loan is fully funded over the life of the assets.

- There is no requirement to charge MRP where the Capital Financing Requirement (CFR) is nil or negative at the end of the preceding financial year
- Where the council makes a capital contribution or loan to another entity or where responsibility for a council asset with borrowing attached is transferred to a third party, then no MRP will be set aside if:
 - the payments are appropriately covered by assets
 - there are detailed plans demonstrating that all the expenditure will be recovered in an appropriately short time frame

To ensure that this remains a prudent approach the Council will review the expenditure and income regularly to determine if the income or asset values have decreased to the point that MRP needs to be provided for. Should evidence emerge which suggests the expenditure will no longer be recovered MRP will be provided for.

- Where the council uses internal borrowing and receipts of rental income are greater than the MRP calculated then as there are sufficient revenues to repay the capital cost no MRP will be set aside.
- 3.4 Capital expenditure incurred during 2023/24 will not be subject to a MRP charge until 2024/25 or later.
- 3.5 Based on the Authority's latest estimate of its capital financing requirement (CFR) on 31st March 2023, the budget for MRP has been set as follows:

	31.03.2023 Estimated CFR £m	2023/24 Estimated MRP £
Capital expenditure before 01.04.2008		
Supported capital expenditure after 31.03.2008		
Unsupported capital expenditure after 31.03.2008	30.2	1,081,000
Leases and Private Finance Initiative		
Transferred debt		
Loans to other bodies repaid in instalments		Nil
Voluntary overpayment (or use of prior year overpayments)	n/a	
Total General Fund		
Assets in the Housing Revenue Account		
HRA subsidy reform payment		
Total Housing Revenue Account		
Total	30.2	1,081,000

INVESTMENT STRATEGY REPORT 2023/24

Introduction

- 3.1 The Authority invests its money for three broad purposes:
- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
 - to support local public services by lending to or buying shares in other organisations (**service investments**), and
 - to earn investment income (known as **commercial investments** where this is the main purpose).
- 3.2 This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

Treasury Management Investments

- 3.3 The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £2m and £15m during the 2023/24 financial year.
- 3.4 **Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.
- 3.5 **Further details:** Full details of the Authority's policies and its plan for 2023/24 for treasury management investments are covered in a separate document, the treasury management strategy, which is part of these appendices.

Service Investments: Loans

- 3.6 **Contribution:** The Council will lend money to its subsidiaries, local businesses, local charities, housing associations, to support local public services and stimulate local economic growth.
- 3.7 **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this

risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes in £ millions

Category of borrower	31.3.2022 actual			2023/24
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries			0	1.0
Suppliers			0	0
Parish councils			0	0
Local businesses			0	0.5
Local charities			0	0.5
Housing associations			0	1.0
Local residents			0	0
Employees			0	0
TOTAL			0	3.0

3.8 Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority’s statement of accounts are shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

3.9 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding service loans by using specialist advice to understand the market and the potential future demands of the market and the customers in it. It will also use benchmarking data from the market to determine future potential risks which need to be planned for. External advice is only sought from credible sources eg acknowledged experts in their fields, and officers ensure that they fully understand any information given to them before decision or advice is taken.

Commercial Investments: Property

3.10 Contribution: The Council invests via Regeneration schemes such as Levelling Up Fundings via the Government in property with the intention of making a profit that will be spent on local public services. Levelling Up funding is being investing in regenerating the Market Hall site, and clearing the existing Fire Station site for future regeneration.

Table 2: Property held for investment purposes in £ millions

Property Type	Actual	31.3.2022 actual		31.3.2023 expected	
	Purchase cost	Gains or (losses)	Value in accounts	Gains or (losses)	Value in accounts
N/a	0	0	0	0	0
TOTAL	0	0	0	0	0

3.16 Security: In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

3.17 Where value in accounts is at or above purchase cost: A fair value assessment of the Authority’s investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2022/23 year end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

3.18 Where value in accounts is below purchase cost: The fair value of the Authority’s investment property portfolio is no longer sufficient to provide security against loss, and the Authority is therefore taking mitigating actions to protect the capital invested.

3.19 Risk assessment: The Authority assesses the risk of loss before entering into and whilst holding property investments by involving specialist advisors with expertise in the type of property being purchased, looking at historic data and speaking to other councils undertaking similar activities.

3.20 Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Authority the Authority ensures that properties purchased are in an active

market where there is demonstrable demand to ensure that the authority does not purchase assets which it will not be able to sell on at a later date.

Loan Commitments and Financial Guarantees

3.22 Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Authority and are included here for completeness.

Proportionality

3.24 The Authority does not plan to become dependent on profit generating investment activity to achieve a balanced revenue budget.

Borrowing in Advance of Need

3.25 Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Authority would only not follow this guidance if interest rate forecasts and treasury advisor guidance set out that it was more cost effective, **in terms of significantly reduced debt interest charges**, for the Council to borrow for the **Approved 3 year capital programme** at a point of time rather than when that expenditure is taking place over that 3 year period. It is unlikely that this will happen however the option should not be closed off. Funds would be invested The Authority's policies in investing the money borrowed, including management of the risks, would be as per normal short term Treasury Investments.

Capacity, Skills and Culture

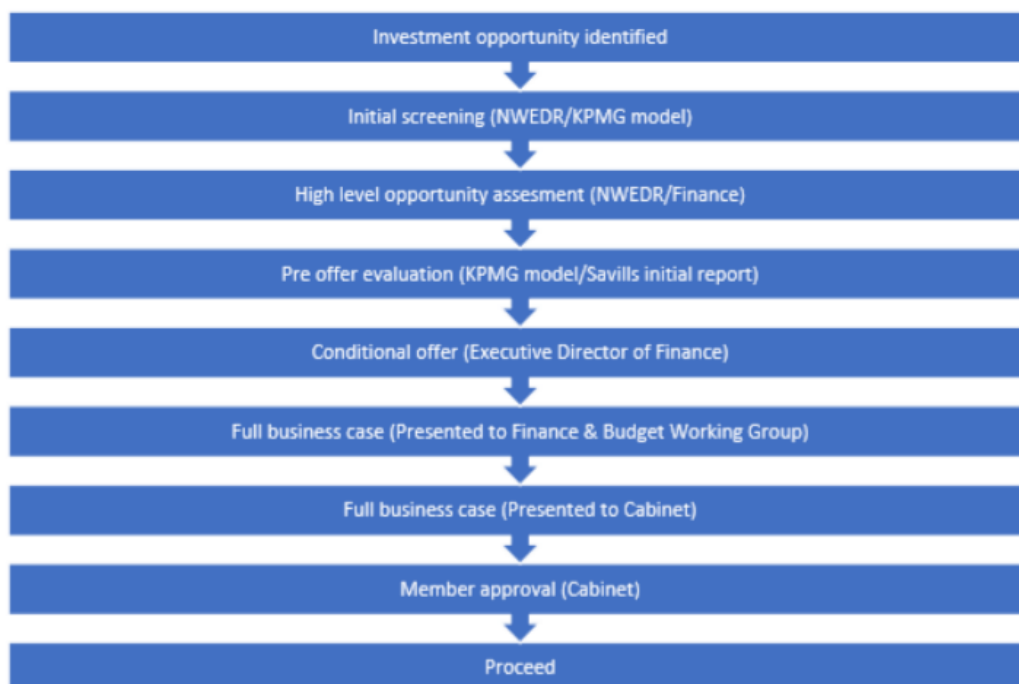
3.26 **Elected members and statutory officers:** Member training will take place annually as part of the induction process. External advisors will provide reports to support investment decisions with officers ensuring that they fully understand them and can relate them to the strategic objectives and risk profile of the authority.

3.27 **Commercial deals:** Significant work has been undertaken using external advisors and relevant training courses have been attended to ensure that officers are fully aware of the code and statutory requirements of a local authority which is investing.

KPMG have developed a modelling tool for the authority to use when assessing potential purchases as a precursor to engaging with external consultants to ensure that potential purchases are likely to make sense from the perspective

of the authority before incurring advisor costs. However, following an internal review of policy, it has been decided that the council may wish to make purchases which do not make a financial return or may indeed make a loss in the short term. On these occasions a business case will be developed which specifies the non-financial benefits of the investment. These are likely to be regenerative schemes for the greater good of the area with an intended long term impact. The regenerative and redevelopment benefits which will flow from the investment will be taken into account in the development of the business case, so if the net investment yield falls below 0.75% it can still proceed if these benefits are deemed to outweigh the lower than target yield.

3.28 Corporate governance: when investment decisions are to be made, they are to be led by the Council's Executive Director of Finance in consultation with the Corporate Management Team. They will assess the potential investment opportunity, consulting North Worcestershire Economic Development and Regeneration (NWEDR) and using the KPMG finance appraisal model, and should they decide it presents a strong opportunity for the authority and complies with the relevant criteria a conditional offer can be made. A business case will then be developed and presented ensuring that once greater detail is included, it makes a satisfactory income yield and/or economic redevelopment and regeneration impact. When the business case is completed, if it is still compliant with the council criteria, it will be presented to Cabinet for approval before purchase is completed.



Once a purchase has been made, the Director of Finance will provide quarterly updates, in line with finance and performance monitoring reports, on the status of the investment.

Investment Indicators

3.29 The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

3.30 Total risk exposure: The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

Table 3: Total investment exposure in £millions

Total investment exposure	31.03.2022 Actual	31.03.2023 Forecast	31.03.2024 Forecast
Treasury management investments	7	8	5
Service investments: Loans			
Service investments: Shares			
Commercial investments: Property			
TOTAL INVESTMENTS	7	8	5
Commitments to lend			
Guarantees issued on loans			
TOTAL EXPOSURE	7	8	5

3.31 How investments are funded: Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

Table 6: Investments funded by borrowing in £millions

Investments funded by borrowing	31.03.2022 Actual	31.03.2023 Forecast	31.03.2024 Forecast
Treasury management investments	0	0	0
Service investments: Loans	0	0	0
Service investments: Shares	0	0	0
Commercial investments: Property	0	0	0
TOTAL FUNDED BY BORROWING	0	0	0

3.32 Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 7: Investment rate of return (net of all costs)

Investments net rate of return	2021/22 Actual	2022/23 Forecast	2023/24 Forecast
Treasury management investments	0.13	0.175	0.2
Service investments: Loans			
Service investments: Shares			
Commercial investments: Property			
ALL INVESTMENTS			

Table 8: Other investment indicators

Indicator	2021/22 Actual	2022/23 Forecast	2023/24 Forecast
<i>e.g.</i> Debt to net service expenditure ratio	164%	183%	
<i>e.g.</i> Commercial income to net service expenditure ratio			

Bromsgrove District Council – 22nd February 2023 Member Questions

1. **From Councillor S. Douglas** **Question for the Leader**

"My question concerning Bromsgrove's unemployment. I am asking because the statistics tell a different story from the apparently amazing current rate that is frequently trumpeted at PMQs. Recent reports say that there is an additional 300.800 unemployed in our region. These people are involuntarily out of work but are now classed as economically inactive, thus 'hidden'. Jobseeker's rate stands at 5.1% not the 3% quoted in Parliament, with the 'hidden' unemployed the figure for the region actually is 14.3%.

What is Bromsgrove's unemployment rate including those 'hidden'? How does this breakdown across age groups?"

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NOTICE OF MOTION

The following Notice of Motion has been submitted in accordance with Procedure Rule 10 by Councillor C. Hotham

“This Council asks Officers to fully appraise and report back on the implications for Bromsgrove residents of the introduction of either a whole Worcestershire unitary authority or a smaller North Worcestershire unitary authority.”

NOTICE OF MOTION

The following Notice of Motion has been submitted in accordance with Procedure Rule 10 by Councillor R. Hunter:

“We believe a detailed study into alternative options for a Bromsgrove Town relief road is now urgently required in order that chronic traffic congestion can be addressed. It is requested that officers prepare a brief for such a study together with an estimate of the cost and present the brief to the Cabinet for their consideration as soon as possible.”