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PLEASE NOTE THAT PRAYERS WILL BE HELD AT 6.50PM BEFORE THE COMMENCEMENT OF THE BUSINESS OF THE COUNCIL.

THE MAYOR REQUESTS THAT ANY MEMBER WISHING TO PARTICIPATE IN PRAYERS BE IN ATTENDANCE BY NO LATER THAN 6.45PM.

Dear Sir/Madam,

You are summoned to attend the meeting of the Borough Council of Newcastle-under-Lyme to be held in the **Queen Elizabeth II & Astley Rooms - Castle House, Barracks Road, Newcastle, Staffs. ST5 1BL** on **Wednesday, 15th February, 2023** at **7.00 pm**.

BUSINESS

1 APOLOGIES

2 DECLARATIONS OF INTEREST

To receive declarations of interest from Members on items contained within this agenda.

3 MINUTES OF A PREVIOUS MEETING **(Pages 5 - 10)**

To consider the Minutes of the previous meeting(s)

4 MAYOR'S ANNOUNCEMENTS

5 REVENUE & CAPITAL BUDGETS & STRATEGIES 2023/24 **(Pages 11 - 122)**

6 PAY POLICY STATEMENT **(Pages 123 - 134)**

7 STATEMENT OF THE LEADER OF THE COUNCIL **(To Follow)**

To receive a statement by the Leader of the Council on the activities and decisions of Cabinet and items included on the Forward Plan.

8 REPORTS OF THE CHAIRS OF THE SCRUTINY COMMITTEES **(To Follow)**

A verbal update will be given for the Economy and Place Scrutiny Committee and the Finance, Assets and Performance Scrutiny Committee.

9 REPORTS OF THE CHAIRS OF THE REGULATORY COMMITTEES **(To Follow)**

A verbal update will be given for the Planning Committee.

10 QUESTIONS TO THE MAYOR, CABINET MEMBERS AND COMMITTEE CHAIRS **(To Follow)**

11 RECEIPT OF PETITIONS

To receive from Members any petitions which they wish to present to the Council.

12 URGENT BUSINESS

To consider any communications which pursuant to Appendix 7, Procedure Rule 8 of the constitution are, in the opinion of the Mayor, of an urgent nature and to pass thereon such resolutions as may be deemed necessary.

13 DISCLOSURE OF EXEMPT INFORMATION

To resolve that the public be excluded from the meeting during consideration of the following report(s) as it is likely that there will be disclosure of exempt information as defined in paragraphs contained within Part 1 of Schedule 12A (as amended) of the Local Government Act 1972.

Yours faithfully

Chief Executive

NOTICE FOR COUNCILLORS

1. **Fire/Bomb Alerts**

   In the event of the fire alarm sounding, leave the building immediately, following the fire exit signs..

   Fire exits are to be found at the side of the room leading into Queens Gardens.

   On exiting the building Members, Officers and the Public must assemble at the statue of Queen Victoria. DO NOT re-enter the building until advised to by the Controlling Officer.

2. **Mobile Phones**

   Please switch off all mobile phones before entering the Council Chamber.

3. **Notice of Motion**

   A Notice of Motion other than those listed in Procedure Rule 14 must reach the Chief Executive ten clear days before the relevant Meeting of the Council. Further information on Notices of Motion can be found in Section B5, Rule 4 of the Constitution of the Council.

Officers will be in attendance prior to the meeting for informal discussions on agenda items.

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COUNCIL

Wednesday, 23rd November, 2022
Time of Commencement: 7.00 pm

View the agenda here

Watch the meeting here

Present: Mayor - Councillor Gillian Burnett (Chair)

Councillors:

Adcock	Heesom	Sweeney
Allport	Holland	J Tagg
Barker MBE	Fox-Hewitt	S Tagg
Beeston	Hutchison	Talbot
Bettley-Smith	Johnson	J Waring
Brockie	S Jones	P Waring
Brown	D Jones	Whieldon
Bryan	Lawley	G White
Crisp	Moffat	Wilkes
Dymond	Northcott	G Williams
Edginton-Plunkett	Parker	J Williams
Fear	Reece	Wright
Gorton	Richards	
Grocott	Skelding	

Apologies: Councillor(s) Panter, Stubbs and S White

Officers:

David Adams	Executive Director - Sustainable Environment
Geoff Durham	Mayor's Secretary / Member Support Officer
Martin Hamilton	Chief Executive
Simon McEneny	Executive Director - Growth and Development
Daniel Dickinson	Head of Legal & Governance /Monitoring Officer

:

1. DECLARATIONS OF INTEREST

Councillor Northcott declared an interest in item 9 of the agenda – the Motion referring to the Aspire Board, as a Non-Executive Director of the Board.

2. MINUTES OF A PREVIOUS MEETING

Resolved: That the minutes of the meeting held on 28 September, 2022 be agreed as a correct record.

3. MAYOR'S ANNOUNCEMENTS

The Mayor made three announcements:

- The Mayor's Christmas Carol Service at St Giles' Church on 18th December.
- The 1940's Dance held on Saturday 12th November had raised almost £1000 in aid of the Mayor's Charity Fund.
- The Mayor's Ball would be held on 31st March, 2023. It would be a Roaring Twenties Casino Night.

4. **PARLIAMENTARY BOUNDARY REVIEW**

The Leader introduced a report informing Council of the consultation from the Boundary Commission for England regarding parliamentary boundaries that impacted the Borough.

The Council was given the opportunity to comment upon the consultation and to make representations to the Boundary Commission. A report listing representations was tabled at the meeting.

Resolved: That the following representation be made to the Boundary Commission in its final consultation round:

(i) Newcastle-under-Lyme Borough Council thanks the Boundary Commission for its diligent work in drawing Parliamentary constituency boundaries in our Borough. The proposals will increase electoral equality so that every elector's vote carries a more similar weight.

(ii) We strongly believe that the Maer & Whitmore and Loggerheads wards are an integral part of Newcastle-under-Lyme and this area was previously included in the Newcastle seat, prior to 1983. We ask that further consideration is given to their inclusion in the Newcastle-under-Lyme constituency, which would then total an electorate of 75,768, which is within the acceptable variance of a constituency as set out in statute.

(iii) We also support the representations made at the initial consultation stage that favour the renaming of the proposed Stoke-on-Trent North constituency "Stoke-on-Trent North and Kidsgrove". The town of Kidsgrove has a proud history independent of Stoke-on-Trent and it is right that its name should be included in the Parliamentary constituency that is proposed, which will contain every household within the Kidsgrove Town Council area including those in Newchapel Ward.

Watch the debate here

5. **STATEMENT OF THE LEADER OF THE COUNCIL**

A report was submitted which provided an update to Members on the activities and decisions of the Cabinet, together with the Forward Plan.

In respect of paragraph 2, Members stated that the odour from Walleys Quarry could still be smelt. It was stated that residents had been advised by the Liaison

Committee that they could not attend Committee meetings. The Leader stated that he too had smelt the odours recently. With regard to the Liaison Committee, at the next meeting the Council would be able to put across the point about local community representation.

A request was made for the Council to press the Environment Agency (EA) to ensure that their remit was discharged correctly in dealing with the odour issues. In addition, it was requested that this issue remain a top priority for the Council. The Leader confirmed that through officers and himself, it would be ensured that the EA kept a focus on this issue and it would continue to be a priority for this Council.

On paragraph 3, it was asked if interest from money currently invested from the Funds would be used to balance the books and if so, would there be full discussion as to where the interest would be distributed across departments. The Leader assured that the money received had been invested to create a return and would be spend on the schemes whether it be Future High Street or Town Deal Funds.

The Leader was asked if the Town Deals Funds and Future High Street Fund were secure, in view of media reports on funding cuts. This was confirmed as being the case.

On paragraph 4, it was stated that the final accounts did not acknowledge a £70,000 donation from Kidsgrove Town Council. The Leader was asked who would be managing the CIC's accounts going forward. The Leader stated that the Town Council's contribution was referred to at Cabinet. The money was given to the Community Group for equipment and was not therefore in the Council's final accounting for refurbishment and rebuilding. Regarding the accounts, the Group would be doing those themselves.

On paragraph 6, it was asked what this Council's attitude was towards parking income. The Portfolio Holder for Finance, Town Centres and Growth stated that a decision had been made to make car parking rates as affordable as possible through different incentives. The Council did not use its car parks as a way of raising large amounts of money.

On paragraph 7, the Leader was asked to commit to working with ward Councillors and residents groups in Bradwell, when designing and enhancing the open spaces. The Leader confirmed that public consultation did take place when deciding where to plant trees and other enhancements.

On paragraph 8, it was asked whether contaminated land had been considered for development once it had been decontaminated. It was also asked what the housing figure had been under the Joint Local Plan. The Portfolio Holder for Strategic Planning stated that some of the land had been used before and therefore could have been contaminated. With regard to the housing figures under the Joint Local Plan, these were, in 2015 - 679 dwellings per year and 586 dwellings per year in 2017.

The Leader was asked if any work had gone into looking at land banking. It was also asked that if the target figure of 7000 homes was reduced by the Government, would the Council press ahead with the 7000 homes as set out in the report. The Leader stated that one of the biggest land bankers in Newcastle was the Borough Council with its green space and carbon capture areas that are protected from development. The figure of 7000 homes would be kept as people wanted to move into or remain in the Borough so there had to be houses available.

On paragraph 9, it was stated that the Council had been shortlisted for an award in the most improved performer category for the waste and recycling service. The Leader stated that the awards ceremony would take place on 1st December and wished the Council good luck at the event.

On paragraph 10, it was stated that the date of the next Cabinet meeting was the 5th anniversary of the current administration and 10th anniversary of Councillor Simon Tagg being Leader of the Council at different periods and he deserved a vote of thanks for his work.

Resolved: That the Statement of the Leader of the Council be received and noted.

Watch the debate here

6. **REPORTS OF THE CHAIRS OF THE SCRUTINY COMMITTEES**

Reports were submitted for the Committees that had met since the last Council meeting.

Resolved: That the reports be received.

7. **REPORTS OF THE CHAIRS OF THE REGULATORY COMMITTEES**

Reports were submitted for the Committees that had met since the last Council meeting.

Resolved: That the reports be received.

8. **MOTIONS OF MEMBERS**

A Motion was received concerning Realise and Achieve Training from the Aspire Group proposed by Councillor Dave Jones and seconded by Councillor Moffat.

Following a debate on the substantive motion, a vote was taken.

In Favour (Y)- 18

Against (N)- 22

Abstain – 0

The Motion fell.

Watch the debate here

9. **QUESTIONS TO THE MAYOR, CABINET MEMBERS AND COMMITTEE CHAIRS**

Councillor Andrew Parker asked:

Could the Leader update the Council on the effects that the cost of living and inflation rises are having on people across the Borough and what actions the Council is able to take to help residents at this difficult time?

The Leader stated that the Council was working with its partners to measure the impact and to ensure that support was available for those who needed it. As well as passporting funding across the Borough, the Council had worked with the County Council and other partners to provide slow cookers to households and funding had been secured to provide warm packs, warm clothing and blankets to be given out to those who needed them. The Council was also, working with the County Council to deliver the Warmer Homes Scheme. In addition a network of warm spaces was being set up.

Councillor Parker then asked:

Did the Leader agree that it was encouraging that the Council was making such a proactive response. The Leader agreed.

Councillor Joan Whieldon asked:

Can the Portfolio Holder for Community Safety and Wellbeing Holder update the Council on the work being carried out to reduce rough sleepers in the town centre and how many rough sleeper were there at the last count?

The Portfolio Holder stated that earlier this year the Council had set up a Coordinated Rough Sleepers Initiative through which funding was provided to create a supported pathway for rough sleepers and a number of key posts to deliver this work had been established. There was a multi-agency homelessness hub based at the Salvation Army offices in the town centre and the rough sleeper accommodation programme with Aspire which had had an immediate positive impact with the number of rough sleepers currently being four.

Councillor Whieldon then asked:

Could the Portfolio Holder advise what, if any arrangements were being made for the winter.

The Portfolio Holder stated that the Council's Severe Winter Emergency Protocol was again in place, running from 1st November to 31st March next year, when temperatures hit zero or below. Overnight accommodation was provided at St George's on an ad hoc basis. A local third sector organisation had shown an interest in running St George's as a night shelter where it would be open every night over the winter months.

Councillor Richard Gorton asked:

Could the Portfolio Holder for Finance, Town Centres and Growth advise how many people, currently on the Borough Council's waiting list for an allotment have been waiting for two or more years to be offered a plot?

The Portfolio Holder advised that the Council provided 240 plots split across six sites with other allotments provided by parish Councils and Kidsgrove Town Council. There were currently 215 residents who had been waiting for two or more years for a plot.

Councillor Richard Gorton then asked:

In view of the number of people on the waiting list, would the Portfolio Holder agree that more should be done to reallocate allotments that were neglected or abandoned by plot holders.

The Portfolio Holder stated that at the 'Acres' plots, if people did not turn up for a while, the plot would be taken off them. This could be an incentive for the Council, although most people would not have an allotment if they did not intend to use it.

Watch the debate here

10. **RECEIPT OF PETITIONS**

There were no petitions.

11. **URGENT BUSINESS**

There was no urgent business.

12. **DISCLOSURE OF EXEMPT INFORMATION**

There were no confidential items

Mayor - Councillor Gillian Burnett
Chair

Meeting concluded at 9.16 pm

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Council
15 February 2023

Report Title: **Revenue and Capital Budgets and Strategies 2023/24**

Submitted by: **Head of Finance (Section 151 Officer)**

Portfolios: **Finance, Town Centres and Growth**

Ward(s) affected: **All**

Purpose of the Report

This report sets out the recommendations of Cabinet for the 2023/24 General Fund Revenue Budget and the 2023/24 Capital Programme and sets out the recommendations for setting the 2023/24 Council Tax.

It also recommends for approval the Medium Term Financial Strategy 2023/24 to 2027/28, the Flexible Use of Capital Receipts Strategy (updated for 2023/24), the Capital Strategy for 2023/33, the Treasury Management Strategy for 2023/24 and the Investment Strategy for 2023/24.

Recommendation

1. **That the Council approve the schedule of recommendations set out in Appendix 1.**

Reasons

A robust, affordable and balanced budget is required to be set for the financial year 2023/24.

The Council needs to have an approved Flexible Use of Capital Receipts Strategy for 2023/24, an approved Capital Strategy for 2023/24, an approved Treasury Management Strategy for 2023/24 and an approved Investment Strategy for 2023/24 in place before the start of the 2023/24 financial year.

1. Background

1.1 This report is the culmination of the 2023/24 budget process. The Cabinet and the Finance, Assets and Performance Scrutiny Committee (FAPSC) have considered the content of the 2023/24 budget and the resultant Council Tax which is recommended. Cabinet met on 7 February 2023 and recommend a Council Tax for this Council in 2023/24 of £214.42 (based on Band D), as set out in Appendix 1 and Appendix 2. This is an increase of 1.99% (£4.18) a year from the 2022/23 amount, this is below the increase permitted without triggering the requirement for a referendum.

1.2 The Council is committed to the delivery of high quality services. Integral to this ambition is effective targeting of financial resources in line with the vision of "good local services, a prosperous borough and safe and welcoming places for all" and the Council's stated aims and objectives, as set out in the Council Plan 2022-2026, which was approved by Cabinet on 6 September 2022.

1.3 The Medium Term Financial Strategy (MTFS) (Appendix 3) sets out the Council's financial position over the next 5 years. This is aligned to the Council Plan 2022-2026 and is the key vehicle for ensuring efficiency in service delivery and targeting resources to priority areas.

1.4 Despite the COVID-19 pandemic and the Cost of Living Crisis, and the challenges faced by the Council in its response, there has been good progress against Council Plan objectives in the current year, with high standards of service delivery being achieved overall. Key Council Achievements, linked to the Council Plan objectives, are reported to Cabinet on a quarterly basis. (Details of the Council Plan 2022-2026 can be seen here https://www.newcastle-staffs.gov.uk/policies-1/council-plan-2022-2026.

1.5 The 2023/24 budget is based on the assumptions set out in the MTFS which was reported to the Cabinet at its meeting on 10 January 2023 and scrutinised by the Finance, Assets and Performance Scrutiny Committee at its meeting on 19 January 2023 (please see 2.18), and subsequently approved by Cabinet on 7 February 2023 for recommendation to Full Council.

1.6 The Capital Strategy 2023/33 (Appendix 9) sets out how the Council proposes to deploy its capital resources in order to achieve its corporate and service objectives. It takes into account other relevant Council strategies, policies and plans and the views of partners and interested parties with whom the Council is involved. It also takes account of the resources which are likely to be available to the Council to fund capital investment and the effect of that investment on the Council's revenue budget. It will serve as a useful point of reference when determining or reviewing the Council's Capital Programme.

1.7 The Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice. This requires approval by Council concerning the Treasury Management Strategy (Appendix 10) to be followed in carrying out its treasury management activities in the forthcoming financial year, 2023/24.

1.8 The Investment Strategy 2023/24 (Appendix 11) is compiled according to the Ministry of Housing, Communities and Local Government's Guidance on Local Government Investments ('the Guidance') and the 2017 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ('the CIPFA TM Code') It sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

2. Issues

Budget 2022/23 – Provisional Outturn Forecast

Revenue

2.1 The Council approved a General Fund Revenue Budget for 2022/23 of £15.269m on 23 February 2022. The actual and forecast position compared to this budget is continuously monitored by managers, EMT and Portfolio Holders in order to detect any significant variances of expenditure or income from the approved amounts contained in the budget.

2.2 The Coronavirus pandemic continues to have an impact on the Council's financial position, primarily through lost income, although this is showing a marked improvement compared to the losses incurred during 2020/21 and 2021/22. No Government funding for 2022/23 in respect of financial pressures relating to the Coronavirus pandemic (including income compensation) is likely to be received.

2.3 The Council's revenue budget relies on service income from fees and charges income of around £725k per month across a wide range of services, with a significant proportion coming from Jubilee 2 and car parking. Taking account of the current restrictions it is forecast that income losses from fees and charges for the financial year will amount to £0.631m.

2.4 The local government pay award of £1,925 per full time employee, which is in excess of the amount provided for in the budget (2.5%), including national insurance and pension, is estimated to amount to a further £0.591m for the financial year.

2.5 As per the widely reported Cost of Living Crisis, increased fuel, electricity and gas prices when compared to the amounts provided for in the budget are forecast to amount to £0.396m by the close of the financial year.

2.6 It is forecast that a balanced position will be achieved as at the close of the financial year. The adverse variances highlighted above will be offset by:

- Utilisation of the Cost of Living Reserve that was established during the budget setting for 2022/23 in order to respond to any above inflationary increases in costs. It is anticipated that the £0.400m paid into this reserve will be fully used.

- Use of £0.240m New Homes Bonus funding paid into the Budget Support Fund that was established during the budget setting for 2022/23 in order to boost the Council's financial resilience during 2022/23 as a result of the continued impact of the Coronavirus pandemic.

- Application of £0.167m Administration Grant paid to the Council and set aside during 2021/22 in relation to Coronavirus grants.

- Interest receivable on cash that the Council holds in terms of Town Deal and Future High Street funding, together with Section 31 grant and remaining Coronavirus grant funding (that are repayable to Central Government) is forecast to increase significantly following recent interest rate hikes to £0.513m for the financial year.

2.7 Expenditure continues to be reduced wherever possible throughout the Council to ensure that only absolutely necessary spending is being incurred, this helps to reduce the adverse variance on a service by service basis. It has been forecast that this situation continues throughout the remainder of the financial year.

2.8 Further consequences of the Coronavirus and the Cost of Living Crisis on the Council's financial position will depend significantly on any restrictions being imposed, the recovery of income from fees and changes, rates of inflation and on any further Government financial support that may be received.

2.9 Careful monitoring of the financial position will be required over coming weeks leading to prompt corrective action where necessary to ensure the Council remains in a position of being able to deliver a balanced budget position in the current financial year and beyond.

Capital

2.10 A Capital Programme totalling £32.309m was approved for 2022/23. Of this total £30.309m relates to the total cost of new schemes for 2022/23 together with £1.000m for schemes funded by external sources (Disabled Facilities Grants) and £1.000m contingency. In addition £5.548m has been brought forward from the 2021/22 Capital Programme (including £4.017m from the Town Deals Fund and the Future High Streets Fund), resulting in a total Capital Programme of £37.857m for 2022/23.

2.11 At the close of quarter three the profiled capital budget amounts to £5.525m, actual spend for this period totals £5.574m.

2.12 A mid-year review of the capital programme for 2022/23 has been undertaken as part of the Efficiency Board and budget setting process in order to identify any projects that may need to be re-profiled from 2022/23 into future years. The revised capital programme for 2022/23 totalling £32.977m was approved by Cabinet on 6 December 2022.

Medium Term Financial Strategy

2.13 The MTFS indicates a budget shortfall of £2.103m for 2023/24 (please see 2.16 for further detail), further years funding gaps are shown on the table below and in further detail at Appendix 5.

2.14 A number of savings and funding strategies have been identified as being both feasible and sustainable (Appendix 4), via a vigorous Financial Efficiency Board process including challenge sessions for each of the Portfolios involving Cabinet Members, the Executive Management Team, Heads of Service and the Finance Manager. The proposed savings identified to date for the period of the MTFS, have enabled a balanced financial position to be proposed for 2023/24.

Detail	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Income	270	-	-	-	-
One Council	376	-	-	-	-
Staffing Related	18	-	-	-	-
Good Housekeeping	215	-	-	-	-
Tax Base	337	219	222	224	227
Council Tax Increase	159	161	163	165	167
Government Grants	728	-	-	-	-
Total Savings	**2,103**	**380**	**385**	**389**	**394**
Updated MTFS Gaps	**2,103**	**1,593**	**423**	**455**	**1,299**
Remaining Gaps	**-**	**1,213**	**38**	**66**	**905**

Revenue Budget 2023/24

2.15 The MTFS provides for a gap in 2023/24 of £2.103m and over the 5 year period of the MTFS of £5.873m.

2.16 The table below shows the factors which give rise to the £2.103m gap for 2023/24:

	£'000
Additional Income	
Fees and Charges	(253)
Business Rates Retention	(355)
Council Tax Support	(30)
Total Additional Income	**(638)**
Loss of Income	
Government Grant (New Homes Bonus, Housing Benefits Admin)	210
Reduction in income from under achieved budgets/contribution to Budget and Borrowing Support Fund	269
Total Loss of Income	**479**
Additional Expenditure	
Employees (pay awards, increments, national insurance, pension)	1,450
Premises (business rates and utilities)	143
Transport (fuel)	172
Borrowing	305
Reduction in flexible use of capital receipts	100
Other pressures (inc. software licences, contracts)	92
Total Additional Expenditure	**2,262**
Net Increase in Base Budget	**2,103**

2.17 The savings identified for 2023/24 are summarised below, with further detail in Appendix 4. These savings and strategies enable a balanced financial position to be proposed for 2023/24.

Category	**Amount £'000**	**Comments**
Income	270	Additional sources of income generation and an increased demand for services that the Council charges for
One Council	376	Efficiencies to be generated from the introduction of a new Council operating model and the continued prioritisation of digital delivery
Staffing Related Efficiencies	18	No redundancies are anticipated to arise from these proposals
Good Housekeeping/More Efficient Processes	215	Various savings arising from more efficient use of budgets
Tax Base Increase	337	Increased in Council Tax and Business Rates tax base
Council Tax Increase	159	An assumed 1.99% per Band D equivalent increase in Council Tax
Government Reimbursement	728	Grant in respect of New Homes Bonus and Minimum Funding Guarantee
Total	**2,103**	

2.18 As in previous years, the first draft of the savings plan set out at Appendix 1 was made available to the Finance, Assets and Performance Scrutiny Committee for scrutiny at its meeting on 8 December 2022. The Committee also scrutinised the recommendations of the Cabinet report of 10 January 2023 at its meeting on 19 January 2023.

2.19 The One Council Programme was launched in February 2021 following Full Council approval of the budget in order to meet the changing needs of our residents by increasing our ability to provide flexible, efficient and customer driven services. The programme is designed to respond to the key lessons from the Covid-19 pandemic, how this impacted on how customers accessed Council services, and how services flexed in order to remain resilient. The programme focusses on reviewing customer need alongside modernising internal processes whilst developing our internal cultural transformation and ensuring we address financial demands.

2.20 The One Council programme facilitates a fundamental change in Newcastle-Under-Lyme Borough Council's operating model and how we address our challenges. Significantly, it sets out to enable the Council to make better use of the resources available to it, ensuring both efficient and effective service delivery.

2.21 Given the broad remit of the programme, overall aims have been considered by integrated work streams aligned to core principles of delivery and achievement and the initial work has been supported by the delivery partner Ignite Consulting who have enabled the team to develop skills in management change and service redesign. Whilst a significant aspect of the programme is to facilitate a move to customer self service via an enhanced website, traditional face to face and telephone access will remain available to those who need it.

2.22 One Council is a "spend to save" programme with an agreed investment of £1.200m. Recurrent benefits in excess of £1.000m will be achieved moving forward. The savings are set to be staggered over the life of the 3 year programme (£0.196m has been achieved in 2021/22, £0.601m will be achieved in 2022/23 with a further £0.376m in 2023/24).

Borough Growth Fund

2.23 The Borough Growth Fund was established in 2020 for the purpose of enabling investment in corporate priorities. The Borough Growth Fund is required to be used to invest in initiatives that are forecast to generate on-going revenue savings through reducing the costs of service delivery or through the generation of additional income.

2.24 Since the establishment of the Borough Growth Fund, investments have been made in the following areas:-

Investment Area	£'000	Details
Council Modernisation	329	Embedding digitalisation across services and developing the skills of staff.
One Council Programme	100	Contribution to drive the digital programme which will transform public access to council services and drive efficiency savings.
Environmental Sustainability	100	Tree planting/carbon reduction
Walley's Quarry	75	Addressing community concerns regarding the quarry's unpleasant odour omissions.
Town Centre Support	117	Used to support the Town Deal bids for Newcastle and Kidsgrove and the rejuvenation of the Markets.
Car Parking Machines	30	Purchase of car parking machines with cashless payment options.
Commercial Property Review	20	Review to develop income generation ideas as part of the Commercial Strategy.

2.25 The savings and funding strategies identified in the table in paragraph 2.14 and in Appendix 4 will enable continued investment of £0.250m in the Council's priorities as per the Council Plan 2022-2026 via the Borough Growth Fund. The 'Borough Growth' fund will continue to be used to provide pump priming investment in initiatives, including Digital Delivery, that are forecast to generate on-going revenue savings through reducing the costs of service delivery or through the generation of additional income. The Council's Section 151 Officer will determine whether any proposed use of the fund complies with this guidance on a case by case basis.

2.26 The 2023/24 Borough Growth Fund investment will be used in the following areas:

Investment Area	£'000
Environmental Sustainability	100
One Council Programme	100
Economic Development	50
Total	**250**

2.27 In order to boost environmental sustainability within the Borough, £0.100m per annum over the life of the MTFS continues be ring-fenced from the Borough Growth Fund to enable such projects to be fully funded. Environment sustainability work streams include the following:

- **Carbon Neutral Council** – work to support the preparation of a net carbon zero by 2030 action plan, which establishes a baseline with measurable and costed actions necessary to get to net zero.
- **Collaborative working** with partners via the Staffordshire Sustainability Board.
- **Carbon Capture or Sequestration** – tree planting and environmental initiatives on the Council's Urban Carbon Capture Areas.

2.16 £0.100m of the 2023/24 Borough Growth Fund will continue to be allocated to help drive the One Council programme. Work streams will include the following:

- **ICT Development** – continuing transformation to ease access, facilitate transactions and improve customer experience and efficiency of service.
- **Staff Development and Business Transformation** – continual investment in the improvement of staff skills and competences to drive improvements relating to customer experience and leadership.

2.28 The remaining £0.050m will be used within economic development on initiatives for boosting footfall within the town centre.

- **Town Centre Events** – to promote town centre events to increase footfall and encourage residents back into the Town Centre during the 850 celebration year.
- **Market and Public Realm Improvements** – to assist in the reinvigoration of the historic market and to supplement the Future High Streets Fund investment.

Council Tax and Collection Fund

2.29 A 1.99% per Band D equivalent property Council Tax increase, producing £0.159m of additional income is proposed based on a Borough Council Tax requirement of £8,169,190. This increase in Council Tax would equate to the following monetary increases for residents:

Property Band	Annual Increase £ p	Weekly Increase £ p
A	2.79	0.05
B	3.25	0.06
C	3.72	0.07
D	4.18	0.08

E	5.11	0.10
F	6.04	0.12
G	6.97	0.13
H	8.37	0.16

2.30 In addition to the Borough Council Tax the Council is required to levy additional charges relating to Parish Councils, Staffordshire County Council, the Staffordshire Commissioner (Fire and Rescue Authority and the Office of the Staffordshire Police and Crime Commissioner). These amounts are shown in Appendix 1 per property band and area of the Borough.

2.31 Taking into account the reduced level of Council Tax Support claimants when compared to the height of the COVID-19 pandemic and other changes to the Council Tax base (i.e. new properties, discounts and exemptions), the Council Tax base has increased by 431 band D equivalent properties from 37,668 in 2022/23 to 38,099 in 2023/24.

2.32 The Council is required to declare its estimated surplus or deficit on the Collection Fund (for both Business Rates and Council Tax) ahead of the financial year end for 2022/23. This surplus or deficit is then shared between the relevant preceptors in 2023/24 (a surplus if paid out to preceptors, including the Council, and a deficit is repaid to the collection fund from preceptors, including the Council).

2.33 The Business Rates Collection Fund is estimated to be in a deficit position in relation to 2022/23 in isolation, this is due to the revaluation and backdated reduction in value of a large distribution centre within the Borough. The deficit is estimated to amount to £0.996m, of which the Council's share is £0.398m.

2.34 The Business Rates Collection Fund also settles actual deficits from previous years, for 2021/22 a deficit of £12.024m was declared to preceptors. The actual deficit at the close of the financial year amounted to £9.594m due to the amount set aside to provide for potential being significantly higher than the amount calculated at the year end. The Council's share of this amounts to £0.972m and will be repaid to the Council during 2023/24, it will be transferred to the Business Rates Reserve to allow for fluctuations in Business Rates in future years and to provide contingency for the forthcoming Fair Funding Review.

2.35 The Council Tax Collection Fund is estimated to be in a surplus position as at 31 March 2023, primarily due to a continued reduction in the number of Council Tax Support claimants when compared to the height of the COVID-19 pandemic. This surplus is estimated to amount to £0.552m, of which the Council's share is £0.064m.

Budget Consultation

2.36 Public consultation has been undertaken on the budget (Appendix 13), the consultation ran between 7 December 2022 and 2 January 2023. The consultation clearly determined that residents felt that the following services were the most important to them:

- Refuse collection;
- Parks, playgrounds and open spaces; and,
- Street cleaning.

It also showed that residents feel that services should be protected as far as possible, even if that required an increase in Council Tax.

Capital Programme 2023/24 to 2025/26 and Capital Strategy 2023/33

2.37 The Capital Programme for 2023/24 to 2025/26 (Appendix 7) is based on new schemes which are vital to ensure continued service delivery and in assisting the Council to achieve its corporate and service objectives as set out in the Council Plan 2022-26. These schemes total £48.064m, including major investment into the Borough via external funding (and elements of matched funding contributions from the Council) in terms of the Future High Streets Fund and the Town Deals Fund for both Newcastle and Kidsgrove.

2.38 The Capital Programme for 2023/24 allows for a further contribution of £2.600m to the Multi Storey Car Park to reflect increased build costs resulting from inflationary pressures faced within the construction sector.

2.39 The Capital Strategy for 2023/33 (Appendix 9) meets the requirements of statutory guidance issued by the Government in January 2018. The Council's capital investment is carried out within the statutory framework laid down by the Local Government Act 2003 and regulations under that Act. Accordingly, only expenditure which fits the definition of capital expenditure contained in the Act or Regulations pursuant to it will be capitalised.

2.40 The Capital Programme is produced in line with the Capital Strategy for 2023/33. In addition to the Council's corporate and service objectives, as set out in the Council Plan 2022-26, the Capital Programme is also influenced by a number of external parties and factors:

- Central government and its agencies;
- Legislation requiring capital works;
- Partner organisations;
- Businesses and Developers; and,
- The needs and views of other interested parties, particularly those of Borough residents.

2.41 Delivering the Capital Programme for 2023/24 will require prudential borrowing to be undertaken. The impact of borrowing is included in the MTFS pressures for 2023/24 and future years.

2.42 Advice will be sought from the Council's Treasury Management advisors, Arlingclose, as to the most beneficial timing of prudential borrowing. Their current advice remains to borrow on a short term basis (up to 4 years) from other local authorities whilst interest rates remain low.

2.43 In summary, investment in the Capital Programme for 2023/24 to 2025/26 totalling £48.064m will be funded by:

- £22.585m External Funding including Disabled Facilities Grant and s106;
- £10.400m Capital Receipts; and,
- £15.079m Prudential Borrowing

Treasury Management Strategy 2023/24 and Investment Strategy 2023/24

2.44 The Treasury Management Strategy for 2023/24 is attached at Appendix 10. The Minimum Revenue Provision Policy for 2023/24 is contained in Annex C to the strategy.

2.45 The Treasury Management Strategy for 2023/24 allows for borrowing. Although not utilised in recent years, the Council has previously considered the option of long-term borrowing from the Public Works Loans Board (PWLB). After the utilisation of capital receipts and internal borrowing, the Council will now look to borrow short term from other local authorities in the first instance and will then review any other sources of funding if required.

2.46 The Investment Strategy for 2023/24 is attached at Appendix 11. This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and is based on guidance provided by Arlingclose, the Council's treasury management advisors. Quantitative investment indicators are included within the Strategy to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

Balances and Reserves

2.47 A review of the Council's Balances and Reserves together with a financial resilience risk assessment informing the levels of these has been undertaken by the Council's Section 151 Officer. Details of the risk factors considered and the weightings applied to each are set out at Appendix 6.

2.48 It is recommended that a minimum level of unallocated reserves and contingencies (i.e. the Council's Balance and Reserve Strategy for 2023/24) of £1.910m be held in 2023/24 to reflect the levels of revenue risk shown in the budget for 2023/24. The remaining £0.250m from the balance currently held will be transferred to the Budget and Borrowing Support Fund.

2.49 The Walley's Quarry reserve is forecast to have a balance of £0.600m including the recovery of legal costs from the operator at the close of 2022/23. It is recommended that £0.100m is retained within this reserve as a contingency and that £0.400m is transferred to the Cost of Living Reserve to provide contingency for any above inflationary increases in costs that may arise. It is recommended that the remaining £0.100m, along with the £0.100m held in the Income Reserve, is transferred to the Budget and Borrowing Support Fund in order to boost the Council's financial resilience during the forthcoming financial year.

Any future action the Council may take relating to Walley's Quarry will be subject to agreement of Full Council in relation to the allotting funds from general reserves to support a legal case.

Localised Council Tax Support Scheme 2023/24

2.50 Section 13A of the Local Government Finance Act 1992, substituted by section 10 of the Local Government Finance Act 2012 requires each billing authority in England to make a Localised Council Tax Reduction scheme, specifying the reductions which are to apply to amounts of Council Tax payable by persons or classes of person whom the authority consider are in financial need.

2.51 Any scheme needs to be approved by the 10 March before the start of a new financial year or a default scheme prescribed by regulations will be imposed by the Government. The scheme for 2023/24 (Appendix 12), is intended to remain as per the 2022/23 scheme.

3. Proposals

3.1 That the Council approve the schedule of recommendations set out in Appendix 1.

4. Reasons for Proposed Solution

4.1 The Council has a statutory duty to set a balanced budget before 10 March in the financial year preceding the one in respect of which the budget is set, per Section 30(6) of the Local Government Finance Act 1992. Best practice is for financial planning to take place over a 5 year period in the form of a MTFS that sets out how the Council plans to allocate resources to meet its objectives.

5. **Options Considered**

5.1 None.

6. **Legal and Statutory Implications**

6.1 The Council is required to set its Council Tax for 2022/23 by 10 March 2023, per Section 30(6) of the Local Government Finance Act 1992. It is planned to approve the final budget and Council Tax rates on 15 February 2023.

7. **Equality Impact Assessment**

7.1 Local authorities have a responsibility to meet the Public Sector Duty of the Equality Act 2010. The Act gives people the right not to be treated less favourably due to protected characteristics. It is important to consider the potential impact on such groups and individuals when designing or delivering services and budgets. Budget proposals requiring changes or new services and policies will be subject to Equality Impact Assessments including consultation with affected people and organisations.

8. **Financial and Resource Implications**

8.1 These are addressed in the body of the report.

9. **Major Risks**

9.1 Section 25 of the Local Government Acts 2003 places a duty on the Section 151 officer to report on the robustness of the budget. The main risks to the budget include spending in excess of budget; income falling short of the budget (including capital receipts from disposal of assets); and unforeseen elements such as changes to Government funding. In the context of the COVID-19 pandemic and uncertainty regarding Government funding reforms there are significant budget risks that will need to be managed. It will be essential the Council has sufficient reserves to call on if required.

9.2 Such risks require regular and robust monitoring and it is essential that the Council has sufficient useable reserves to call on if required (see Section 6 above). The review and risk assessment indicates that overall unallocated reserves and contingencies are required to be held at a minimum level of £1.910m to reflect the levels of revenue risk shown in the budget for 2023/24. In addition a contingency of £1.000m is required to provide flexibility to manage risks relating to the delivery of the capital programme.

9.3 The assessment of the Section 151 Officer is that the proposals included in this report are robust and will ensure an adequate level of reserves.

9.4 Treasury management is a major area of risk for the Council in that large amounts of money are dealt with on a daily basis and there are a number of limits and indicators, which must be complied with.

9.5 The overriding consideration in determining where to place the Council’s surplus funds is to safeguard the Council’s capital. Within this constraint the aim is to maximise the return on capital. Operational procedures, coupled with monitoring arrangements, are in place to minimise the risk of departures from the approved strategy.

10. **UN Sustainable Development Goals (UNSDG)**

10.1 In shaping detailed budget proposals consideration will be given to the need for investment in order to deliver the Council’s Sustainable Environment Action Plan.

11. **Key Decision Information**

11.1 Final approval of the budget setting process is a key decision.

12. **Earlier Cabinet/Committee Resolutions**

12.1 Revenue and Capital Budgets 2023/24 – First Draft Savings Plans (Cabinet 6 December 2022)

12.2 Revenue and Capital Budgets 2023/24 – First Draft Savings Plans (Finance, Assets and Performance Scrutiny Committee 8 December 2022)

12.3 Revenue and Capital Budgets and Strategies 2023/24 (Cabinet 10 January 2023)

12.4 Revenue and Capital Budgets and Strategies 2022/23 (Finance, Assets and Performance Scrutiny Committee 19 January 2023)

12.5 Revenue and Capital Budgets and Strategies 2023/24 (Cabinet 7 February 2023)

13. **List of Appendices**

13.1 Appendix 1 – Schedule of Detailed Recommendations
13.2 Appendix 2 – Revenue Budget 2023/24
13.3 Appendix 3 – Medium Term Financial Strategy 2023/24 to 2027/28
13.4 Appendix 4 – 2023/24 MTFS Funding Strategy
13.5 Appendix 5 – 2023/24 to 2027/28 MTFS 'Gaps'
13.6 Appendix 6 – Risk Assessment on Required Balances/Contingency Reserve
13.7 Appendix 7 – 2023/24 to 2025/26 Capital Programme and 2022/23 Mid-Year Estimate
13.8 Appendix 8 – Flexible Use of Capital Receipts Strategy 2023/24
13.9 Appendix 9 – Capital Strategy 2023 to 2033
13.10 Appendix 10 – Treasury Management Strategy 2023/24
13.11 Appendix 11 – Investment Strategy 2023/24
13.12 Appendix 12 – Local Council Tax Reduction Scheme for 2023/24
13.13 Appendix 13 – 2023/24 Budget Consultation Summary

14. **Background Papers**

CIPFA Treasury Management Code of Practice (revised December 2017),
Council's Treasury Management Policy Statement,
Local Government Act,
Local Authorities (Capital Finance and Accounting) (England) Regulations,
Department of Levelling up and Housing Communities Guidance on Local Government Investments Statutory Guidance on the Flexible Use of Capital Receipts.

Appendix 1 – Schedule of Detailed Recommendations

The following recommendations set out the decisions needed for the Council to set its own budgets and Council Tax for 2023/24 in addition to the Medium Term Financial Strategy for 2023/24 to 2027/28, the Flexible Use of Capital Receipts Strategy (updated for 2023/24), the Capital Strategy for 2023/2033, the Treasury Management Strategy for 2023/24 and the Investment Strategy for 2023/24.

Recommendations

(a) That the Revenue Budget for 2023/24 be approved (Appendix 2).

(b) That the updated Medium Term Financial Strategy for 2023/24 to 2027/28 be approved (Appendix 3).

(c) That the Band D Council Tax for 2023/24 be set at £214.42 (a 1.99% increase).

(d) That the Capital Programme to 2023/24 to 2025/26 be approved (Appendix 7).

(e) That the Capital Strategy for 2023-33 be approved (Appendix 9).

(f) That the updated Flexible Use of Capital Receipts Strategy for 2023/24 be approved (Appendix 8).

(g) That the Treasury Management Strategy for 2023/24 be approved (Appendix 10).

(h) That the Investment Strategy for 2023/24 be approved (Appendix 11).

(i) That the Local Council Tax Reduction Scheme for 2023/24 be approved (unchanged from 2022/23) (Appendix 12).

(j) That the un-earmarked minimum balances requirement be confirmed as £1,910,000.

(k) That it be noted that the Head of Finance (Section 151 Officer), under delegated authority assigned by Cabinet on 20 January 2016 and Full Council on 18 May 2016 calculated the following amounts for the year 2023/24:

(i) 38,099 being the amount calculated by the Council, in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, as its council tax base for the whole Council area for the year (Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the “Act”))

(ii) For dwellings in those parts of the Council’s area to which a Parish precept relates as in the table below:

Parish/Town Council	Base
Audley	2,606
Betley, Balterley & Wrinehill	593
Chapel & Hill Chorlton	193
Keele	428
Kidsgrove	6,927
Loggerheads	2,038
Madeley	1,506
Maer	273
Silverdale	1,552
Whitmore	977

(l) That the Council Tax requirement for the Council’s own purposes for 2023/24 (excluding Parish precepts) is £8,169,190.

(m) That the following amounts be calculated for the year 2023/24 as per Sections 31 to 36 of the Act:

(i) £71,593,560 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) of the Act taking into account all precepts issued to it by Parish Councils.

(ii) £62,722,210 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act.

(iii) £8,871,350 being the amount by which the aggregate at (m)(i) above exceeds the aggregate at (m)(ii) above, calculated by the Council, in accordance with Section 31A (4) of the Act, as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).

(iv) £232.85 being the amount at (m)(iii) above (Item R), all divided by Item T (k)(i) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).

(v) £702,160 being the aggregate amount of all special items (Parish precepts) referred to in Section 34 (1) of the Act.

(vi) £214.42 being the amount at (m)(iv) above less the result given by dividing the amount at (m)(v) above by item T (k)(i) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item (Parish precept) relates.

(vii) **<u>Part of the Council's Area</u>**

Parish/Town Council	£
Audley	286.07
Betley, Balterley & Wrinehill	245.09
Chapel & Hill Chorlton	247.44
Keele	252.77
Kidsgrove	248.47
Loggerheads	260.54
Madeley	261.93
Maer	239.86
Silverdale	233.78
Whitmore	251.36

Being the amounts given by adding to the amount at (m)(vi) above, the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above, divided in each case by the amount at (k)(ii) above calculated by the Council in accordance with Section 34(3) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

(viii) **<u>Valuation Bands</u>**

Parish/Town Council	Valuation Bands (£)							
	A	B	C	D	E	F	G	H
Audley	190.72	222.51	254.29	286.07	349.63	413.20	476.79	572.14
Betley, Balterley & Wrinehill	163.40	190.63	217.86	245.09	299.55	354.01	408.49	490.18
Chapel & Hill Chorlton	164.96	192.46	219.95	247.44	302.42	357.41	412.40	494.88
Keele	168.52	196.61	224.69	252.77	308.93	365.10	421.29	505.54
Kidsgrove	165.65	193.26	220.87	248.47	303.68	358.89	414.12	496.94
Loggerheads	173.70	202.65	231.60	260.54	318.43	376.33	434.24	521.08
Madeley	174.62	203.73	232.83	261.93	320.13	378.34	436.55	523.86
Maer	159.91	186.57	213.21	239.86	293.15	346.46	399.77	479.72
Silverdale	155.86	181.84	207.81	233.78	285.72	337.67	389.64	467.56
Whitmore	167.58	195.51	223.44	251.36	307.21	363.07	418.94	502.72
Other Parts of The Borough	142.95	166.78	190.60	214.42	262.06	309.71	357.37	428.84

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

(n) That it be noted that for the year 2023/24 the major precepting authorities have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of dwelling shown below:-

Preceptor	**Valuation Bands (£)**							
	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**
Staffordshire County Council	980.82	1144.29	1307.76	1471.23	1798.17	2125.11	2452.05	2942.46
Staffordshire Commissioner Fire & Rescue Authority	56.17	65.53	74.89	84.25	102.97	121.69	140.42	168.50
Office of the Staffordshire Police & Crime Commissioner	173.71	202.67	231.62	260.57	318.47	376.38	434.28	521.14

(o) That having calculated the aggregate in each case of the amounts at (m)(viii) and (i) above, the Council, in accordance with Section 30(2) of the Act, hereby sets the following amounts as the amounts of Council Tax for the year 2023/24 for each of the categories of dwelling shown below:

Parish/Town Council	**Valuation Bands (£)**							
	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**
Audley	1401.42	1635.00	1868.56	2102.12	2569.24	3036.38	3503.54	4204.24
Betley, Balterley & Wrinehill	1374.10	1603.12	1832.13	2061.14	2519.16	2977.19	3435.24	4122.28
Chapel & Hill Chorlton	1375.66	1604.95	1834.22	2063.49	2522.03	2980.59	3439.15	4126.98
Keele	1379.22	1609.10	1838.96	2068.82	2528.54	2988.28	3448.04	4137.64
Kidsgrove	1376.35	1605.75	1835.14	2064.52	2523.29	2982.07	3440.87	4129.04
Loggerheads	1384.40	1615.14	1845.87	2076.59	2538.04	2999.51	3460.99	4153.18
Madeley	1385.32	1616.22	1847.10	2077.98	2539.74	3001.52	3463.30	4155.96
Maer	1370.61	1599.06	1827.48	2055.91	2512.76	2969.64	3426.52	4111.82
Silverdale	1366.56	1594.33	1822.08	2049.83	2505.33	2960.85	3416.39	4099.66
Whitmore	1378.28	1608.00	1837.71	2067.41	2526.82	2986.25	3445.69	4134.82
Other Parts of The Borough	1353.65	1579.27	1804.87	2030.47	2481.67	2932.89	3384.12	4060.94

Appendix 2 – Revenue Budget 2023/24

Area	2022/23 General Fund		2023/24 General Fund	
	Estimate £	Band D Council Tax £	Estimate £	Band D Council Tax £
Central Services	1,720,990	45.69	2,157,470	56.63
Cultural Services	3,940,970	104.62	3,769,940	98.95
Environmental Services	7,608,580	201.99	8,868,690	232.78
Planning	1,963,800	52.13	1,838,180	48.25
Transport	(174,670)	(4.64)	(294,420)	(7.73)
Housing	1,242,550	32.99	1,493,410	39.20
Net Cost of Services	**16,302,220**	**432.78**	**17,833,270**	**468.08**
Pensions Liabilities Account	415,000	11.02	415,000	10.89
Investment Properties	(2,470)	(0.07)	74,940	1.97
Interest and Investment Income	94,000	2.50	227,000	5.96
Net Operating Expenditure	**16,808,750**	**446.23**	**18,550,210**	**486.89**
Contribution to/(from) Revenue Reserves	891,010	23.65	904,430	23.74
Contribution to/(from) Capital Reserves	(2,431,000)	(64.53)	(2,597,910)	(68.19)
Amount to be met from Government Grant and Local Taxpayers	**15,268,760**	**405.35**	**16,856,730**	**442.45**
Revenue Support Grant	(66,000)	(1.75)	(217,280)	(5.70)
Other Non-Specific Grants	(1,106,230)	(29.37)	(873,000)	(22.91)
Business Rates Retention Funding	(6,150,200)	(163.27)	(6,985,830)	(183.36)
Collection Fund Deficit/(Surplus)	(27,010)	(0.72)	(611,430)	(16.05)
Borough Council Tax Requirement	**7,919,320**	**210.24**	**8,169,190**	**214.42**
Staffordshire County Council Precept		1,401.30		1,471.23
Fire Authority Precept		80.35		84.25
Police Authority Precept		248.57		260.57
Total Council Tax Requirement		**1,940.46**		**2,030.47**

The Council Tax Base used for 2023/24 in the above table is 38,099.

GLOSSARY OF TERMS

Collection Fund. A fund accounting for Council Tax and Non-Domestic Rates received by the Council and the payments which are made from the fund including precepts to other authorities, the Council's own demand and shares of business rates receipts. The surplus or deficit for the year (essentially the difference between the amounts collected and the amounts paid out of the Fund) must be cleared by a transfer out of or into the Fund in the following year by the Council and the other major precepting authorities.

Contributions to/(from) Capital Reserves. Comprises transfers to or from the Capital Adjustment Account. This account is used to eliminate capital transactions, such as depreciation and impairment charges, which have to be debited or credited to the revenue account in order to comply with proper accounting practice but which statutorily cannot count against the council tax.

NEWCASTLE UNDER LYME BOROUGH COUNCIL

Appendix 4 – 2023/24 MTFS Funding Strategy

Ref	Service Area	Description	£000's	Detail
				Income
I1	Bereavement Services	Income review	75	Full review of charges made including comparisons and levelling up with charges made by other local authorities
I2	Leisure and Cultural	Museum commercialisation	25	Increased commerciality of the Museum service through charging and promotion
I3	Leisure and Cultural	School swimming	30	Expansion of school swimming lessons scheme
I4	Leisure and Cultural	Student memberships	19	Introduction of a student specific membership
I5	Recycling and Fleet	Garden waste	36	Removal of discount given for additional garden waste bins and increase in fee
I6	Recycling and Fleet	Waste transfer notice	15	Introduction of a charge to recover administration fee
I7	Recycling and Fleet	Sale of recyclable materials	50	Reflection of increased prices paid by contractors for recyclable materials
I8	Recycling and Fleet	Advertising	20	Advertising on the Council's vehicle fleet
			270	
				One Council
O1	Corporate	One Council	376	Efficiencies to be generated from the introduction of a new Council operating model, continuous review and development of services and continued prioritisation of digital delivery
			376	
				Staffing Related Efficiencies
S1	Leisure and Cultural	Life-saving detection system	18	Introduction of a life-saving detection system leading to a reduced number of life guards being required
			18	
				Good Housekeeping/More Efficient Processes
G1	ICT	Centralisation	25	Centralisation and rationalisation of ICT and telephony budgets
G2	Leisure and Cultural	Subsidy reduction	100	Reduction in subsidy to Leisure service to reflect performance
G3	Recycling and Fleet	Green waste recycling credits	70	Contractor costs paid by Staffordshire County Council following removal of recycling credits
G4	Corporate	Good housekeeping	20	Review of temporary staff and other fees for services budgets
			215	
				Alternative Sources of Finance/Other
A1	Corporate	Tax base – Council Tax	91	Increase in tax base based on market housing supply requirement (431 properties per year)
A2	Corporate	Tax base – Business Rates	246	Assumed increase in tax base of 4%
A3	Corporate	New Homes Bonus	500	Assumed one year allocation of New Homes Bonus based on submitted data (CTB1 form)
A4	Corporate	Minimum Funding Guarantee	228	Minimum Funding Guarantee as per provisional Local Government Finance Settlement
A5	Corporate	Council Tax increase	159	Assumed increase of 1.99% per Band D property
			1,224	
		Grand Total	***2,103***	

Appendix 5 – 2023/24 to 2027/28 MTFS 'Gaps'

Detail	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Description
Employees:						
Increments	61	40	10	2	-	Employees due an increment
Pay awards	508	330	339	347	356	4% pay award assumed for 2023/24 and 2.5% for all years thereafter
2022/23 Pay award	447	-	-	-	-	Pay award proposed for 2022/23 over and above MTFS assumption of 2.5%
Superannuation increases	224	82	77	77	78	22% of increase in increments and pay awards
Superannuation lump sum increases	57	39	41	43	45	Contribution towards pension deficit
National Insurance	153	56	52	53	54	13.8% of increase in increments and pay awards
Premises:						
Business Rates	30	16	16	16	16	Inflationary increase in business rates payable (per CPI)
Utilities	113	11	11	11	11	Inflationary increase in gas and electric (per CPI) and realignment of budget re. 2022/23 increases
Transport:						
Fuel	172	12	12	12	12	Inflationary increase in fuel (per CPI) and realignment of budget re. 2022/23 increases
Financing:						
Borrowing costs	305	550	15	52	892	Borrowing costs regarding the financing of capital expenditure
Flexible use of capital receipts	100	-	-	-	-	Removal of the flexible use of capital receipts to fund revenue
New Pressures:						
ICT software and maintenance	26	20	20	20	20	ICT costs re. systems maintenance and software licences
Internal Audit fees	8	-	-	-	-	Inflationary increase in contracted costs
Payroll fees	8	-	-	-	-	Inflationary increase in contracted costs
Repairs and renewals	50	-	-	-	-	Increased contract prices
External audit fees	-	100	-	-	-	Likely increase in external audit fees
Income:						
Fees and charges	(253)	(197)	(203)	(209)	(216)	4% increase in fees and charges in 2023/24 and 3% each year thereafter
New Homes Bonus	192	500	-	-	-	Drop out of New Homes Bonus legacy payments
Government grant	18	12	12	12	12	Reduction in Housing Benefit Administration grant
Business Rates baseline funding level	(355)	(78)	(79)	(81)	(81)	Inflationary increase in baseline funding level (per CPI)
Tax base – Council Tax support	(30)	-	-	-	-	Reduction in Council Tax support claimants
Income pressures	100	100	100	100	100	General income shortfalls
Budget and Borrowing Support	169	-	-	-	-	Transfer to the Budget and Borrowing Support fund
TOTAL GAPS	**2,103**	**1,593**	**423**	**455**	**1,299**	

Appendix 6 – Risk Assessment on Required Reserve Balances (i) and Actual/Forecast Reserve Balances at 31 March 2022 to 2024 (ii)

(i) Risk Assessment on Required Reserves Balances (£1.910m)

Item	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Owner	Balance Needed (£)
1	Increase in fees and charges does not result in higher income levels	Shortfall in income leading to overspends	3 x 4	High	Included in calculation of minimum balances	3 x 3	High	Regular monitoring of income levels	EMT	130,000
2	Reduced Income due to non-availability of service (e.g. COVID-19 related or similar)	Shortfall in income leading to overspends	3 x 3	High	Included in calculation of minimum balances	3 x 3	High	Regular monitoring of income levels	EMT	100,000
3	Income, including collection fund income, falls short of budget because of changes in market conditions, e.g. demand fluctuations COVID-19 related or failure to fully recover	Shortfall in income leading to overspends	3 x 5	High	Included in calculation of minimum balances	3 x 3	High	Regular monitoring of income levels	EMT	380,000
4	Bad debts reduce the Council's income	Shortfall in income leading to overspends and need to top up provision	3 x 4	High	A contribution to the bad debts provision is budgeted for	3 x 3	High	Increase monitoring of collection rates	EMT	65,000
5	Employee budgets – the budget is discounted on the assumption there will be vacancies	Vacancies do not occur leading to additional costs	3 x 3	High	The budget assumes a vacancy factor of 2%, this is realistic compared with previous years	3 x 3	High	Regular monitoring of vacancy levels	EMT	60,000
6	Employee budgets - the 2023/24 employee pay settlement results in an increase higher than included in the budget	Additional unbudgeted costs	2 x 3	Moderate	Balances sufficient to deal with any additional costs, plus reduced job security in economy	2 x 3	Moderate	None	EMT	80,000
7	Problems with staff recruitment/retention resulting in the payment of market supplements at extra cost	Additional unbudgeted costs	3 x 3	High	Subject to ongoing review	3 x 3	High	None	EMT	20,000
8	Problems with staff sickness/suspensions	Additional unbudgeted costs	3 x 3	High	Absence management procedures in place	2 x 3	Moderate	Monitoring of sickness levels	EMT	75,000

NEWCASTLE UNDER LYME BOROUGH COUNCIL

Item	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Owner	Balance Needed (£)
	resulting in the needs to use agency/interim staff at extra cost									
9	Council becomes liable to pay compensation or legal fees or another unforeseen commitment arises	Additional unbudgeted costs	3 x 3	High	Included in calculation of minimum balances	3 x 3	High	None	EMT	120,000
10	Inflation relating to supplies and services exceeds the allowance in the budget	Additional unbudgeted costs	3 x 3	High	Included in calculation of minimum balances. Regular review of inflation levels	3 x 3	High	None	EMT	50,000
11	Existing commitment(s) missed out of budget	Additional unbudgeted costs	3 x 2	Moderate	Budgets subject to checking at several levels. Preparation of standstill budget for comparison	3 x 2	Moderate	None	EMT	50,000
12	Fall in interest rates reduces income to the Council	Investment income targets not met	1 x 1	Low	A decrease would make no difference investment wise but would reduce borrowing costs	1 x 2	Low	None	EMT	-
13	Additional interest costs incurred resulting from loss of income and additional expenditure	Additional unbudgeted borrowing costs	3 x 3	High	Capital Budgets and receipt expectations have been realistically set. Allowance provided for in calculation of minimum balances	3 x 3	High	None	EMT	85,000
14	Fuel costs increase by more than allowed for in budget	Additional unbudgeted costs	3 x 3	High	Realistic increases included in base budget	3 x 3	High	None	EMT	35,000
15	Energy costs increase by more than allowed for in budget	Additional unbudgeted costs	3 x 3	High	Realistic increases included in base budget	3 x 3	High	None	EMT	40,000
16	Unforeseen major repairs needed to Council properties	Additional unbudgeted costs	2 x 3	Moderate	Planned maintenance programme in place and stock condition survey.	2 x 2	Low	None	EMT	25,000
17	Insurances – unexpected increases in premiums	Additional unbudgeted costs	3 x 3	High	Included in calculation of minimum balances	3 x 3	High	None	EMT	20,000

Item	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Owner	Balance Needed (£)
18	Insurances - high level of excesses to be met by Council or uninsured losses	Additional unbudgeted costs	3 x 3	High	Included in calculation of minimum balances. Insurance Provision established	3 x 3	High	Monitor level of Insurance Provision	EMT	55,000
19	Government further increase NI rates during 2023/24	Additional unbudgeted costs	2 x 3	Moderate	Included in calculation of minimum balances. Increased rate built into budget	1 x 2	Low	None	EMT	15,000
20	Loss of VAT Exempt Status	Additional unbudgeted costs	2 x 3	Moderate	None	2 x 3	Moderate	Continue to monitor position regularly	EMT	25,000
21	Savings built into Budget are not realised	Additional unbudgeted costs	3 x 3	High	Regular Budget Monitoring	2 x 1	Low	None	EMT	125,000
22	New Legislation imposes extra costs but provides insufficient resources	Additional unbudgeted costs	3 x 3	High	Contingency Reserve available. Included in calculation of minimum balances	3 x 3	High	None	EMT	40,000
23	Partnerships - expenses falling on Council as accountable body	Additional unbudgeted costs	2 x 3	Moderate	Monitor partnership activities and ensure carried out according to agreements	2 x 1	Low	None	EMT	5,000
24	Civil Emergency	Additional unbudgeted costs	5 x 2	High	Bellwin Scheme will meet 100% of eligible expenditure within 1 month of an emergency	4 x 2	Moderate	None	EMT	50,000
25	Investment Counterparty fails to meet its financial commitments	Loss of interest due	2 x 3	Moderate	Use of credit rating agencies. Extensive use of DMO. No investment income budgeted for	1 x 1	Low	Frequent reviews of investment strategy	EMT	-
26	Municipal Mutual Insurance (MMI) Clawback	Additional unbudgeted costs	4 x 4	Extreme	MMI Provision	4 x 3	High	None	EMT	40,000

Item	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Owner	Balance Needed (£)
27	Data Protection breach resulting in fine	Additional unbudgeted costs	3 x 3	High	Data Protection Policy Reminders to staff. All staff complete mandatory Data Protection e-learning module	3 x 3	High	None	EMT	75,000
28	Members act against officer advice resulting in cost to the Council	Additional unbudgeted costs	3 x 3	High	Agenda pre-meetings. Liaison with members. Monitoring Officer	3 x 3	High	None	EMT	75,000
29	Volatility in respect of Brexit	Additional unbudgeted costs	3 x 3	High	Include in calculation of minimum balances	3 x 3	High	Monitor	EMT	70,000

Impact (I)	Likelihood (L)	Score	Risk rating
1 - Negligible <£25,000	1 - Extremely Unlikely		
2 - Marginal <£50,000	2 - Remote Chance	1-2	Low Risk
3 - Serious <£250,000	3 - Possible	3-8	Moderate Risk
4 - Critical <£1m	4 - Probable	9-15	High Risk
5 - Catastrophic >.£1m	5 - Frequent / very likely	16-25	Extreme Risk

(ii) Actual/Forecast Reserve Balances at 31 March 2022 to 2024

Reserve	Actual Balance at 31/3/22 (£000's)	Estimated Change in 2022/23 (£000's)	Estimated Balance at 31/3/23 (£000's)	Estimated Change in 2023/24 (£000's)	Estimated Balance at 31/3/24 (£000's)	Purpose
General Fund Balance	2,160	-	2,160	(250)	1,910	Working balance to cover unforeseen adverse events affecting the budget. Recommended minimum balance of £1.910m
Walley's Quarry Reserve	823	(223)	600	(500)	100	To assist with the Council's actions regarding air quality issues at Walley's Quarry
Income Reserve	100	-	100	(100)	-	To increased flexibility to manage year-to-year fluctuations in income
Equipment Replacement Fund	33	9	42	9	51	To pay for the replacement of items of plant and equipment
Budget and Borrowing Support Fund	789	(789)	-	619	619	To support the General Fund revenue budget or to meet costs approved by Council
Budget Support Fund (Local Plan)	301	(101)	200	(200)	-	To fund the Borough Local Plan in addition to a base budget allocation and transfer of vacant post funding
Budget Support Fund (Homelessness)	329	(129)	200	(200)	-	To hold homelessness grants to be utilised in future periods
Borough Growth Fund	50	(50)	-	-	-	To fund investment in corporate priorities
Conservation & Heritage Fund	35	(5)	30	-	30	To provide repair grants to owners of historic buildings
Mayor's Charity Reserve	7	(7)	-	-	-	To hold funds on behalf of the Mayor's Charity
Museum Purchases Fund	61	-	61	-	61	To purchase, conserve and enhance exhibits
Business Rates Reserve	6,046	(5,003)	1,043	611	1,654	To hold surpluses of business rates received per the revenue account and to pay subsequent deficits on the collection fund. Balances held pending repayments of deficits and Section 31 grants to preceptors and Central Government
Cost of Living	-	-	-	400	400	To enable the Council to respond to above inflationary assumption rises over the period of the MTFS
Elections Reserve	150	(150)	-	50	50	To provide budget on a 4 year cycle for Borough Elections
Clayton Community Centre	14	5	19	5	24	Sinking fund held on behalf of Committee (contributions made by Committee)
Totals	**10,898**	**(6,443)**	**4,455**	**375**	**4,830**	

Appendix 7 – 2023/24 to 2025/26 Capital Programme and 2022/23 Mid-Year Estimate

CAPITAL PROGRAMME	*2022/23 MID YEAR*	2023/24	2024/25	2025/26	TOTAL (2023/24 to 2025/26)
	£	**£**	**£**	**£**	**£**
PRIORITY – One Council Delivering for Local People					
Service Area - Council Modernisation	*309,303*	1,991,500	269,000	481,500	2,742,000
Total	***309,303***	**1,991,500**	**269,000**	**481,500**	**2,742,000**
PRIORITY – A Successful and Sustainable Growing Borough					
Service Area - Housing Improvements	*1,720,000*	1,670,000	1,670,000	1,720,000	5,060,000
Service Area - Managing Property & Assets	*930,725*	883,342	1,442,918	1,266,411	3,591,671
Total	***2,650,725***	**2,552,342**	**3,112,918**	**2,986,411**	**8,651,671**
PRIORITY – Healthy, Active and Safe Communities					
Service Area - Environmental Health	*60,000*	60,000	-	12,000	72,000
Service Area - Streetscene and Bereavement Services	*940,000*	790,000	240,000	280,000	1,310,000
Service Area - Recycling and Fleet	*900,927*	5,601,000	303,000	1,230,000	7,134,000
Service Area – Leisure and Cultural	*800,341*	368,000	16,000	150,000	534,000
Service Area - Engineering	*155,000*	110,000	1,415,000	120,000	1,645,000
Total	***2,856,268***	**6,929,000**	**1,974,000**	**1,792,000**	**10,695,000**
PRIORITY – Town Centres for All					
Service Area - Managing Property & Assets	*-*	7,300,000	-	-	7,300,000
Future High Streets Fund	*5,388,399*	1,691,166	-	-	1,691,166
Town Deals – Newcastle	*14,356,811*	4,706,000	2,251,000	807,000	7,764,000
Town Deals - Kidsgrove	*6,415,000*	4,190,000	2,794,000	1,236,000	8,220,000
Total	***26,160,210***	**17,887,166**	**5,045,000**	**2,043,000**	**24,975,166**
CONTINGENCY	*1,000,000*	1,000,000	-	-	**1,000,000**
TOTAL	***32,976,506***	**30,360,008**	**10,400,918**	**7,302,911**	**48,063,837**
FUNDING					
Capital Receipts	*3,684,500*	2,400,000	4,000,000	4,000,000	**10,400,000**
External Contributions	*27,877,210*	12,497,166	6,545,000	3,543,000	**22,585,166**
Borrowing	*1,414,796*	15,462,842	(144,082)	(240,089)	**15,078,671**
TOTAL	***32,976,506***	**30,360,008**	**10,400,918**	**7,302,911**	**48,063,837**

Appendix 8 – Flexible Use of Capital Receipts Strategy

Flexible Use of Capital Receipts
2023/24

Introduction

In the Spending Review 2015, the Chancellor of the Exchequer announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects.

In February 2021, DLUHC announced a 3 year extension to the flexibility to use capital receipts from 2022/23 onwards.

Power under which the guidance is issued

1. The Local Government Act 2003 ('the Act'), section 15(1) requires a local authority '… to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify …'.

2. Two codes of practice issued by the *Chartered Institute of Public Finance and Accountancy (CIPFA)* contain guidance on capital receipts and local authority accounting that complement the DCLG guidance. These publications are:

   - *The Prudential Code for Capital Finance in Local Authorities*
   - *The Code of Practice on Local Authority Accounting*

3. Local authorities are required to have regard to the current edition of *Treasury Management in Public Services: Code of Practice and Sectoral Guidance Notes* by regulation 2 of the *Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146]* and to the *Local Authority Accounting Code* as proper practices for preparing accounts under section 21(2) of the Act.

Application

4. This guidance applies with effect from 1 April 2016 to 31 March 2024 – i.e. to the financial year 2016-17 and for each subsequent financial year to which the flexible use of capital receipts direction applies.

5. The Council cannot borrow to finance the revenue costs of service reform and can only use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered. The Council may not use its existing stock of capital receipts to finance the revenue costs of reform.

Qualifying expenditure

6. The key criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings to the authority.

7. A list of types of project that would qualify for the flexible use of capital receipts is shown below. This list is not meant to be prescriptive or exhaustive and individual authorities who have projects that will generate ongoing savings that are not included in the list provided in the guidance can apply the flexibility to fund those projects.

Accountability and transparency

8. The Council is required to prepare a strategy that includes separate disclosure of the individual projects that will be funded or part funded through capital receipts flexibility and that the strategy is approved by full Council or the equivalent. This strategy can be included as part of the annual budget documentation and approved by full Council or the equivalent at the same time as the annual budget.

Qualifying expenditure

Types of qualifying expenditure

9. Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years.

10. Set up and implementation costs of any new processes or arrangements can be counted as qualifying expenditure. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

Examples of qualifying expenditure

11. There are a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:

- Sharing back-office and administrative services with one or more other council or public sector bodies
- Investment in service reform feasibility work, e.g. setting up pilot schemes
- Collaboration between local authorities and central government departments to free up land for economic use
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation
- Sharing Chief-Executives, management teams or staffing structures
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training

- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others)

- Integrating public facing services across two or more public sector bodies (for example children's social care, trading standards) to generate savings or to transform service delivery.

Accountability and transparency

Preparation

12. For each financial year, the Council should ensure it prepares a Flexible Use of Capital Receipts Strategy ("the Strategy")

Content

13. As a minimum, the Strategy should list each project that plans to make use of the capital receipts flexibility, that it details the split of up front funding for each project between capital receipts and other sources, and that on a project by project basis, a cost benefit analysis is included to highlight the expected savings. The Strategy should report the impact on the Councils Prudential Indicators for the forthcoming year and subsequent years.

14. The Strategy should contain details on projects approved in previous years, including a commentary on whether the planned savings or service transformation have been/are being realised in line with the initial cost/benefit analysis.

15. The Strategy may also include any other matters considered to be relevant.

Approval

16. The Strategy should be approved by the Full Council.

Timing

17. For any financial year the Strategy should be prepared and approved before the start of the year.

2023/24 Strategy

The Council intends to use capital receipts received in 2023/24 to finance previously agreed qualifying expenditure in accordance with the Guidance, this relates solely to any remaining sum (currently estimated to be around £0.150m) of the £1.030m agreed by Council on 24 February 2021 as a contribution to the One Council programme. The projects which will be financed in this way are shown in the table below.

Project	Expenditure	Expected Savings
	£'000	£'000
One Council Project (per Council approval)	150	250

Total	150	126

The individual projects selected within these categories will be financed entirely from in year capital receipts

2022/23 and Previous Years' Flexible use of Capital Receipts

The Council financed qualifying expenditure in 2017/18, 2018/19, 2019/20, 2020/21 and 2021/22 in accordance with the Guidance, and further intends to finance such expenditure in 2022/23, as shown in the table below.

Project	Allocation of Flexible Use of Capital Receipts	Actual Spend	Estimated Savings	Actual One off Savings	Actual Ongoing Saving	Notes
	£'000	£'000	£'000	£'000	£'000	
2017/18						
Castle House Project - Redundancy Costs	80	80	80		80	
2018/19						
Digital Delivery Project	66	66	100		96	Flexible retirements and vacant posts
Chargeable Garden Waste - Preparatory	233	233	371		200	CGW income
Waste Recycling Service	142	142	150	150		
Building Efficiency Works Expenditure	59	59	50		50	
2019/20						
Digital Delivery Project	128	128	150		145	Payroll, Staffordshire Connects
New Recycling Service - Preparatory	134	134	100		100	Ongoing project, expect to save circa £100k per annum
Chargeable Garden Waste - Preparatory	38	38	40		500	CGW income
Building for the Future	200	200	217		300	Revenues & Benefits, Customer Services and ICT restructure
2020/21						

One Council Project	100	103	195		195	One Council Project
Digital Delivery Project	250	250	258		258	Staffordshire Connects, Staffing Related Efficiencies, Revenues & Benefits, Customer Services and ICT restructure
New Recycling Service - Preparatory Costs	150	151				Ongoing project, expect to save circa £100k per annum
2021/22						
One Council Project	750	675	601		601	One Council Project
Digital Delivery Project	200	200	As above		As above	Support to One Council project and website/intranet
2022/23						
One Council Project	200	TBC	126		TBC	One Council Project
Financial Sustainability	100	TBC	100		TBC	Investment in securing growth within the Borough
Total	**2,830**	**2,459**	**2,538**	**150**	**2,525**	

A number of these projects are in the process of being completed. The total savings for these projects cannot be totally quantified until their completion, monitoring of these will continue to be provided to Cabinet on a quarterly basis.

Appendix 12 – Local Council Tax Reduction Scheme for 2023/24

Claim Type	Council Tax Support Scheme
Pensioner Claimants	
No scope for changes within LCTS	Up to 100% of Council Tax Bill
Working Age Claimants	
Claims will be based on a max of 80% Council Tax Liability (unless in a protected group)	Up to 80% of Council Tax Bill
Properties in bands higher than Band D will be based on 80% Band D Council Tax	Up to 80% of band D rate
Second Adult Rebate will not be retained in the Local Scheme	Nil
Capital Cut off at £6K (non-passported)	No Council Tax Support if capital exceeds £6k
Earnings Disregards	Flat rate of £25 if claimant working
Claimants who are eligible to Severe Disability Premium (SDP)	
May allow up to 100% LCTS as protected group	Up to 100% of Council Tax Bill
Claimants who are eligible to receive War Disablement Pensions, War Widow's Pensions and Armed Forces Compensation Scheme Payments	
May allow up to 100% LCTS as protected group	Up to 100% of Council Tax Bill

Discretionary Payments

The Council has discretion to award Council Tax Support, in excess of the accounts determined by this framework, where it is satisfied that exceptional circumstances exist.

Appendix 13 – 2023/24 Budget Consultation Summary

2023/24 Budget Consultation report

Headline findings

- 97 responses – a significant reduction from 335 responses last year but very similar to the 93 the year before that
    - 98 per cent were residents of the borough
- Three council services by far seen as most important
    - Refuse collection
    - Parks, playgrounds and open spaces
    - Street cleaning
- Non-statutory services that respondents want to be protected:
    - Town centre regeneration **by far** the most important, followed by:
    - Outdoor leisure facilities
    - Culture and the arts
    - Outdoor markets
- Leisure facilities and arts development seen as the areas to generate additional income from
- 52 per cent want to protect services even if it means an increase in Council Tax
- Nearly two-thirds of respondents were aged 51+
- Responses from 19 wards
    - Very few responses from the north of the borough

Background

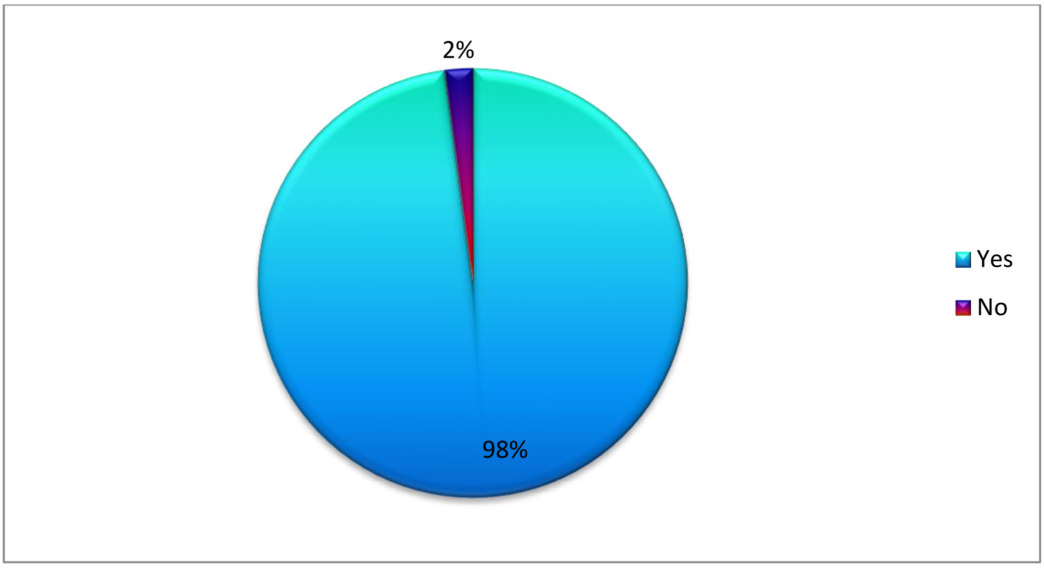
This survey was available online from 7 December 2022 to 2 January 2023 via an online form on the Council's Have Your Say web page, and was publicised by the Communications Team via the e-panel, Facebook and Twitter. There were 97 responses – a significant decrease on the 366 received last year, but very similar to the 93 submissions from the previous year.
At three different places on the survey, respondents were made aware of the services that were not the responsibility of the Borough Council, but some respondents still recommended that we protected such services from funding cuts.

Analysis of data

Q1) Are you a resident of the borough of Newcastle-under-Lyme?

98 per cent of them said that they were a resident, with the remaining two per cent saying they were not.

Figure 1: Q1) Are you a resident of the borough of Newcastle-under-Lyme? 96 respondents



Q2) What is the single most important thing the Council could do differently to improve the quality of life for your local community?

This was a purely open question – an open text box was provided for respondents to answer, unprompted, with no suggested answers to choose from. This word cloud shows key themes.

Figure 2: What is the single most important thing the Council could do differently to improve the quality of life for your local community?

Q3) Which of these Council services are the most important to you?
For this question, respondents were asked to choose up to five services from a list of 12 services. As respondents could choose up to five options, totals will add up to considerably more than 100 per cent.

Three services were chosen by at least 60 per cent of respondents:

- Refuse collection 67 per cent
- Parks, playgrounds and open spaces 62 per cent
- Street cleaning 60 per cent

Around half picked two others:

- Town centre regeneration 53 per cent
- Recycling facilities 46 per cent

The remainder were far less popular:

- Planning and building control 32 per cent
- CCTV coverage 25 per cent
- Food safety etc. 21 per cent
- Indoor leisure centres 20 per cent
- Outdoor leisure centres 19 per cent
- Culture and the arts 13 per cent
- Outdoor markets 12 per cent

If you ticked 'other' then please say which service(s) you think are the most important in the box below, remembering that the Council is not responsible for policing, hospitals, the NHS, social care, roads/highways or schools/academies.

Only two comments were submitted so are added here, rather than in the appendix, as follows:

- All of the above. That's your job, to secure finances to deal with ALL these issues.
- Dog Wardens & Traffic Wardens

Q4) Out of the following services which the Council is not required by law to provide would you most like to see protected? Please tick up to five boxes.

Again, respondents were asked to choose up to five options out of a list of ten services.

One service was clearly the most popular:

- Town centre regeneration 68 per cent

Three were chosen by nearly half of respondents:

- Outdoor leisure centres 49 per cent
- CCTV coverage 46 per cent
- Neighbourhood grant funding programme 43 per cent

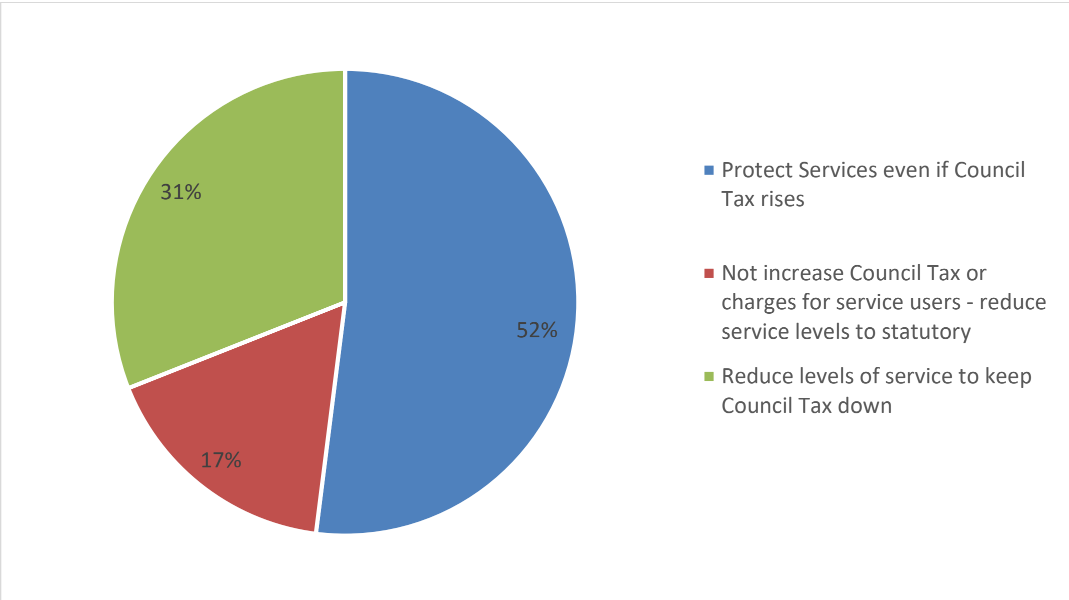
The rest were less popular:

- Outdoor markets 34 per cent
- Indoor leisure centres 33 per cent
- Culture and the Arts 26 per cent
- Sports development 19 per cent
- Promotion of tourism 14 per cent
- Mayoral activities One per cent (one respondent)

Q5) When making decisions about spending plans for next year and beyond, should we...
Respondents were asked to choose from a set list of three options, and they were chosen as follows:

- *Protect services, even if this means we will need to increase Council Tax and charges to service users because of central funding reductions.* This was picked by just over half (52 per cent) and was the most popular choice.
- To *not increase Council Tax or charges for service users, but instead look to reduce service levels towards a core statutory offer - that is, excluding those listed in question 3.* This was the least popular choice, picked by only one-in-six (17 per cent) of respondents.
- *Reduce levels of service to make sure that Council Tax rises and fee increases for service users are kept to a minimum*. This was selected by nearly one-third (31 per cent) of respondents.

Figure 3: When making decisions about spending plans for next year and beyond, should we…? 96 respondents



Q6) Are there any particular service areas where you feel Newcastle-under-Lyme Borough Council should not reduce its funding?
The following word cloud shows the responses' key themes.

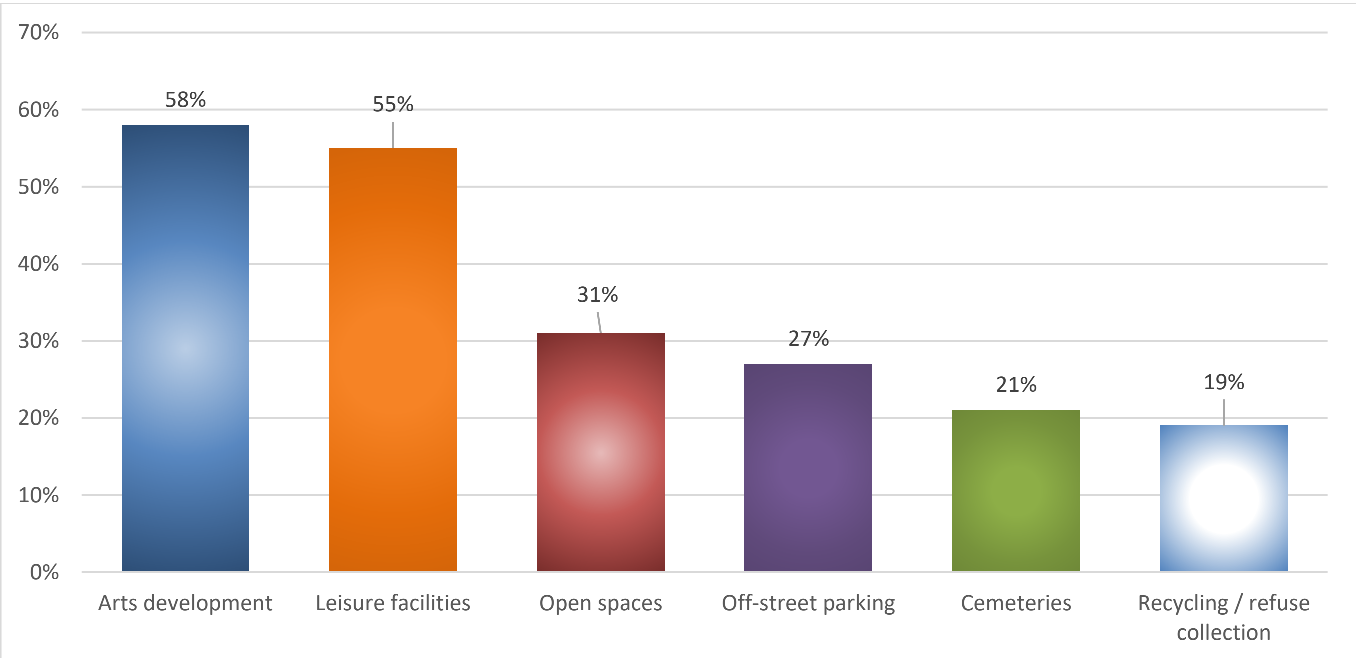
Figure 4: Are there any particular service areas where you feel Newcastle-under-Lyme Borough Council should not reduce its funding?

Q7) Which service areas should the Council seek to generate additional income from service users in order to help balance the budget? Please tick as many as you feel are appropriate.

Respondents were asked to choose from a list of six options, and could select as many of these six as they wanted to – explaining why percentages add up to considerably more than 100 per cent.

Like in the last four years, arts development (58 per cent) and leisure facilities (55 per cent) were chosen significantly ahead of the others as the following chart demonstrates:

Figure 5: Which service areas should the Council seek to generate additional income from service users in order to help balance the budget?



Q8) Is there anything else you think the Council should consider a priority when setting the budget?

Another open comments box invited respondents to make unprompted suggestions, the following word cloud shows the key themes:

Figure 6: Is there anything else you think the Council should consider a priority when setting the budget?

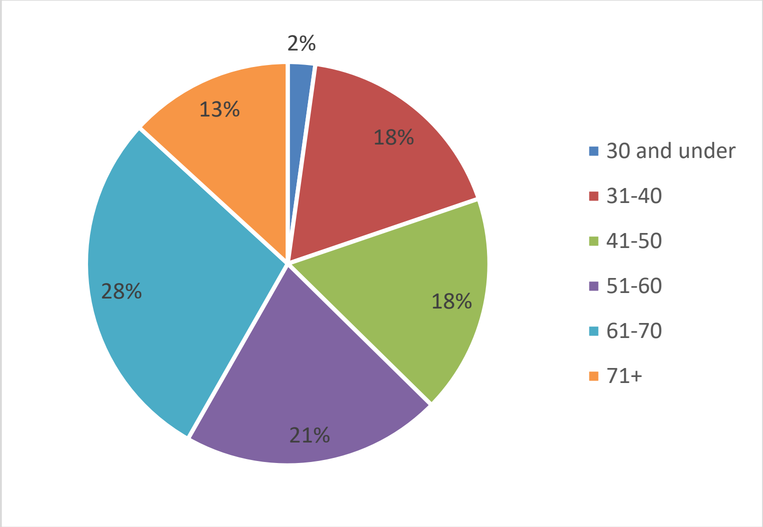
Profile of respondents

Finally, respondents were asked to provide their age and postcode – this enables us to see how representative of the borough the respondents were. The following table shows how many respondents were received by broad age group compared to the population of the borough. 62 per cent were aged 51+.

Table 1: Age profile of respondents compared to the borough based on 91 responses

Broad age group	Proportion of respondents	Proportion of 18+ residents in the borough (2021 census)
30 and under	2%	20%
31-40	18%	15%
41-50	18%	15%
51-60	21%	17%
61-70	28%	14%
71+	13%	18%

Figure 7: Age profile of respondents - 91 responses



Location of respondents

Unfortunately, not all respondents did provide valid postcodes, but 88 did at least provide at least the first part of theirs, enabling the following matching.

Table 2: Respondents by ward or other area - 88 respondents

Ward/area	Respondents
Audley	0
Bradwell	8
Clayton	3
Crackley and Red Street	5
Cross Heath	1
Holditch and Chesterton	3
Keele	3
Kidsgrove and Ravenscliffe	2
Knutton	1
Loggerheads	8
Madeley and Betley	5
Maer and Whitmore	6
May Bank	7
Newchapel and Mow Cop	0
Silverdale	2
Talke and Butt Lane	4
Thistleberry	2
Town	3
Westbury Park and Northwood	2
Westlands	6
Wolstanton	2
ST5 (incomplete postcode)	9
ST7 (incomplete postcode) most likely to be in the borough although some parts of Cheshire East do have ST7 postcodes	4
TF9 (incomplete postcode) likely to be in Loggerheads or Maer and Whitmore	1
Stoke-on-Trent	1

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Medium Term Financial Strategy
2023/24 – 2027/28

Contents

Medium Term Financial Strategy 2023/24 to 2027/28

1. Corporate Plan

1.1 The Council Plan for 2022-2026 sets out the Council's priorities for the next four years and serves to focus the work of everyone at the Council.

1.2 The Council Plan is shaped around our four key priorities:

- One Council Delivering for Local People
- A Successful and Sustainable Growing Borough
- Healthy, Active and Safe Communities
- Town Centres for All

1.3 The Council Pan sets out how we will work to make Newcastle-under-Lyme a better place for everyone who lives here or comes here to work, to study or for leisure. Our aims can only be achieved by taking advantage of every opportunity available and developing further opportunities through innovation and collaborative working.

1.4 The Council is committed to strong and sustainable economic growth for the borough, focusing on opportunities around Keele University, Newcastle Town Centre and Kidsgrove.

1.5 The Council has worked hard to secure more than £50m from government programmes aimed at boosting the economic fortunes of areas such as ours. This plan includes a transformational portfolio of major projects but also reflects our ambition to attract yet more funding and take this work even further.

1.6 The Council Plan builds on four years of achievement, despite the huge disruption caused by the Covid-19 lockdown. It is very likely that the initial period of this plan's delivery and the delivery of the Medium Term Financial Strategy will be strongly influenced by the impact of rising energy costs and their impact on the cost of living.

2. Financial Strategy

2.1. A sound financial strategy is key to the delivery of the Corporate Plan and financial resilience.

2.2. There are five key strands to the strategy:

- A financially self-sustaining Council
- Value for Money
- Everyone's responsibility culture
- Underpinned by robust financial position
- Ensuring a fair financial settlement for Newcastle-under-Lyme

Financially Sustainable Council

2.3. The change in the balance of funding to local authorities has shifted over the last ten years. The reduced Revenue Support Grant awarded by Government has been replaced by income from retained Business Rates and Council Tax. This has led to a need for local authorities to be increase self-financing with a need to promote and grow the local economy and Council Tax bases to provide prosperity and reduce need alongside delivering efficiencies and generating more income.

2.4 Newcastle-under-Lyme has a growing population, but in recent decades it has seen low levels of house building which have not kept up with housing demand. The resulting affordability gap for residents puts pressure on our homelessness service but also has dampened council tax income.

2.5 Newcastle-under-Lyme's industrial and retail sectors have remained healthy in recent times and the business rates base has grown significantly (current rateable value of £90.862m) since the borough joined the Staffordshire business rates pool in 2013/14 (rateable value of £83.842m).

2.6 Alongside the growth in the tax base the rates need to keep base with the Council's inflationary and demand pressures, whilst also reflecting the financial pressures facing our residents. Accordingly the MTFS assumes annual increases of 1.99%.

Value for Money

2.7 It is essential that the Council makes best use of its finite resources. In simple terms this means evidence based decisions, testing the market, strong business cases, delivering on the corporate objectives.

Culture

2.8 The Council's finances need to be everyone's responsibility. It is not the sole responsibility of the Council's Section 151 Officer, ownership is required across the entire Council, the Cabinet, Chief Executive, Executive Directors and their management teams, senior management and front line workers. This has increasingly been the case through ten years of austerity and now more than ever with the financial impacts of the Covid-19 and Cost of Living crisis's and the continued uncertainty around Local Government funding.

Robust Financial Position

2.9 There needs to be clear, transparent and integrated service and budget planning to ensure the Council's finite resources are directed to where they are most needed. It is essential that the finances are understood by members, senior officers, managers and the community. The finances need to be sustainable. A single year budget is not enough, the finances need to be planned over the medium term and good practice is for this term to be five years.

2.10 The budgets need to be robust with realistic savings plans to avoid in year volatility. The five year plan needs to recognise all future pressures and income flows. Local Government is a dynamic environment with many demand led services and the growth in demand for services needs to be accurately modelled. The same applies on the income side with a clear understanding required of changes to the Council Tax and Business Rates tax bases and the level of Government support.

2.11 There is inevitably a gap between the two or the need to invest in priority areas which will need to be met by changing the way in which the Council operates. This will be through delivery of efficiencies, reducing services or generating more income. All of these measures need to be realistic with appropriate processes in place to ensure their delivery.

2.12 Finally, the Council needs to hold an appropriate level of reserves to ensure that it can continue to deliver its objectives in times of financial uncertainty. These reserves will cover the smoothing of spend areas that are known to move from year to year, for specific and general risks and a general provision for unknown risks.

2.13 Much work has been done over the past four years to put the Council's finances on a robust sustainable footing. Undeliverable savings and historical overspends have been built back into the base budget, there is a more focussed view of the medium term and there is a far more realistic assessment of future demographic pressures and investment needs. In addition, a Ten Year Capital Strategy has ensured that decision making considers this wider, long term context. This Strategy will set out how this approach can be taken further forward.

2.14 The Council has been operating in a period of great uncertainty with the impact of the worldwide Covid-19 Pandemic and the Cost of Living crisis. Detailed scenario planning will therefore be required to identify the different actions that may be necessary to ensure the Council's continued financial sustainability depending on the financial impact and any potential ongoing consequences.

A Fair Financial Settlement for Newcastle-under-Lyme

2.15 The Government introduced its Business Rates Retention model for funding local government in 2013/14. It however relied on the historical needs data and damping arrangements from the previous model. At the time government committed to address both of these issues and also set out plans to reset the business rates growth on a regular basis.

2.16 Government has been developing Fair Funding proposals to remedy the position, this is now overdue and local authorities have been disadvantaged by both the lack of an update of the underlying data and the damping arrangements. Implementation has been held up due to the Covid-19 pandemic and it is currently unclear when the Government will press ahead with plans for a business rates reset which would see the accumulated growth built up since 2013/14 being redistributed across the system.

2.17 As a member of the Staffordshire Business Rates Pool the Council currently saves £0.755m per annum in levy payments which would be payable to the Treasury if the Council ceased to be part of a pooling arrangement. In addition to this, growth within the Borough has enabled a further £1.699m of business rates income to be retained by the Council (this has been recognised in previous savings) over and above the funding baseline set by Central Government. In the event that a business rates reset goes ahead strong lobbying will be required to ensure that appropriate transitional arrangements are in place to cushion the impact locally.

2.18 Depending on the funding system in place for the medium term, there will be a requirement for relevant up to date information to ensure its effectiveness. The 2021 Census will be key.

2.19 Finally the Council has been successful in ensuring that significant resources required to regenerate the borough have been secured via Town Deals and Future High Street Fund (a number of projects are well underway) and continue to work closely with the County Council and LEP to secure inward investment in the borough to drive growth and employment opportunities for local people.

3. Economic Context

3.1 The following economic commentary has been provided by the Council's treasury advisers, Arlingclose, from their November Economic Background.

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 outlook for 2023/24.

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.

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.

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.

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.

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.

4. Borough Profile

4.1 Newcastle-under-Lyme has a population of 123,300 (2021 census), a decrease of 600 (rounded up), or 0.5%, since the 2011 census. This is a very different situation than the national (6.6% increase), regional (6.2% increase) and county (3.3% increase) pictures which all saw increases over this period.

4.2 In the ten years from 2011-2021, the percentage of the borough's population aged 70+ increased from 12.8% to 16.1%, keeping this rate higher than across the West Midlands region (13.8%) and England (13.5%).

4.3 The general population has decreased by 0.5% over the past decade, but with the number of residents over 65 increasing by 18.6%, lower than the Staffordshire increase of 23.7% and the England increase of 20.1% over the same period but higher than the West Midlands increase of 18.1%. The over 65 population is projected to increase by a further 14.6% over the next decade, with the under 65 population projected to increase by only 1.5%.

4.4 The median age for the borough is 41.8 years, higher than for the West Midlands (39.6) and England (40.2) but lower than Staffordshire (44.8). The borough's median has barely changed since 2010 when it was 41.7.

4.5 From 2011 to 2021 there has been an estimated 1.6% increase in the number of households in the borough, from 52,600 to 53,400. It is estimated that this will increase to 59,200 by 2029, and to 62,100 by 2039.

4.6 Based on the MYE (Mid-Year Estimate) for 2020, the Office for National Statistics project the population for the borough to increase to 135,700 by 2029. But the projected increase is not uniform across all age groups. The population aged 0-29 is projected to remain fairly stable, but the population aged 65+ is projected to rise from 26,800 to 30,700, an increase of 3,900 or 14.6%.

4.7 Measured through the average rank for IMD 2019, Newcastle-under-Lyme is the 150th most deprived local authority in England, out of 317 overall. Newcastle's ranking compared with other local authorities in England has improved slightly from 156th in 2015. In terms of Health Deprivation and Disability the borough is the 80th most deprived local authority but 197th most deprived in terms of Barriers to Housing and Services.

4.8 Parts of the borough including Cross Heath and Knutton are in the 10% most deprived areas in England. Further parts of Holditch and Chesterton, Kidsgrove and Ravenscliffe, Crackley and Red Street, Town and Westlands are also in the 20% most deprived. However, parts of Loggerheads, Westbury Park and Northwood, Madeley and Betley and Westlands are in the top 10% least deprived parts of England, with parts of Clayton, Crackley and Red Street, Thistleberry, Westlands, Bradwell, Madeley and Betley, Newchapel and Mow Cop in the top 20% least deprived.

4.9 Across the borough in 2021, the annual median gross weekly pay was £565. This was lower than for the West Midlands (£582) and Great Britain (£613). Salaries for both males and females were relatively low as the following table shows:

(Gross weekly pay for full-time workers)

	Newcastle-under-Lyme	**West Midlands**	**Great Britain**
Females	£482	£525	£558
Males	£601	£627	£656
Overall	£565	£582	£613

4.10 Across the borough there are significant differences in income. In three areas, net annual household income was less than £26,000, but in four it was more than £36,000

4.11 In the year up to March 2021, an estimated 74.5% of residents aged 16-64 were classed as 'in employment', broadly similar to the West Midlands region (73.7%) and for Great Britain (74.8%).

(All people in employment) Numbers in brackets are people.

	Newcastle-under-Lyme	**West Midlands**	**Great Britain**
April 2015-March 2016	76.9% (64,300)	70.4%	73.7%
April 2016- March 2017	77.4% (66,600)	71.4%	74.3%
April 2017- March 2018	78.0% (68,500)	72.7%	75.0%
April 2018- March 2019	74.6% (63,700)	73.8%	75.4%
April 2019- March 2020	72.5% (60,000)	73.9%	76.0%

April 2020- March 2021	74.5% (61,600)	73.7%	75.2%

4.12 As of 2020, two-thirds (68%) of residents' jobs were full-time, with one-third (32%) part-time. This is very similar to the rate for the West Midlands and Great Britain.

4.13 According to official crime summary data, the number of recorded crimes for headline offences in Newcastle-under-Lyme between April 2021 and March 2022 was 7,310 – a decrease of around 16.3% on the previous 12 month period.

4.14 The crime rate for this period was 56 per 1,000 residents, lower than the Staffordshire rate of 62 per 1,000 people but higher than all of the Staffordshire boroughs apart from Cannock Chase and Tamworth.

4.15 In Newcastle-under-Lyme the three most common types of recorded crime were:

- Violence against the person (3,480)
- Theft offences (1,759)
- Stalking and harassment (1,477)

4.16 The latest available local estimates from the ONS (Life Expectancy at Birth 2018 to 2020) suggest that life expectancy at birth for males born in this period in Newcastle-under-Lyme is 79.4 years, which is slightly below the Staffordshire (79.3 years) and the same as the England average (79.4 years). Female life expectancy is 82.3 years, while the Staffordshire and England averages are 83.1 years and 83.1 years respectively.

4.17 There are, however, wide variations across the borough with the inequality driven by deprivation. For Newchapel and Mow Cop, the life expectancy at birth for males is 82.4 years, but in the Town ward it is 6.5 years lower at 75.9 years.

4.18 For females in Loggerheads life expectancy at birth is 87.1 years, but in the Town ward it is 11 years lower at 76.1 years.

4.19 Across the borough, the age-standardised mortality rate of 1,136 was higher than the Staffordshire rate of 1,067, the West Midlands rate of 1,122 and England's 1,043.

4.20 There are circa 55,800 homes in the borough (2019). At the 2011 Census (this data is not yet available from the 2021 Census) housing tenure was as follows:

- Owned outright 35%
- Owned with mortgage/loan 34%
- Shared ownership 0.4%
- Social rented 19%
- Private rented from landlord 9%
- Private rented from other 1%
- Living rent free 1%

4.21 Overcrowding is mostly assessed by the 'bedroom standard' which assesses the number of bedrooms needed according to the size and composition of households. In the 2011 census (2021 census data regarding overcrowding is not yet available), Newcastle-under-Lyme had an overcrowding rate of 4.2% – very similar to Staffordshire's 4.0%.

4.22 Across 2021, the local housing affordability ratio i.e. median house price compared to median gross income was 5.59, significantly lower than all of the other Staffordshire districts. Across the West Midlands the ratio is 6.55, and across England it is 7.4. The borough's rate is lower than in 2009 when the ratio was 5.07.

4.23 84.2% of residents of working age have qualifications at level NVQ1 or above, similar to the 84.8% across the West Midlands but lower than the average of 87.9% in Great Britain. As of December 2021, an estimated 36.0% of adults aged 16-64 were qualified to NVQ level 4 or above – lower than both the West Midlands rate of 38.9% and the Great Britain rate of 43.6%.

4.24 The unemployment claimant count for the borough of 2.7% as at August 2022 was identical to Staffordshire's rate and lower than Great Britain's 3.6%. As with most of the country, there was a rise from March 2020 when the rate was 2.4%. There is some variance across the borough – in five wards the rate is at least as high as the national average, in four wards it is lower than half that rate.

5. Refresh of Financial Assumptions

5.1 Council agreed a five year Medium Term Financial Strategy in February 2022 covering the period 2022/23 to 2026/27. For 2022/23 there was Net Expenditure of £16.302m on services and a Council Tax Requirement of £7.919m. There is a Council Tax Base of 37,668 and a Band D Council Tax of £210.24. There was a balanced budget for 2022/23 but a forecast gap of £3.053m across the period 2023/24 to 2026/27.

5.2 The MTFS gaps have been rolled forward a year to cover 2027/28, this was reported to Cabinet on 6 September 2022 and the assumptions updated. There has since been further review of the gaps throughout the budget setting process, cumulating in an updated gap reported to Cabinet on 7 February 2023.

5.3 The recovery from Covid-19 and the ongoing Cost of Living Crisis are expected to continue to have an impact on the Councils' finances, however, the degree of that impact is difficult to predict. The MTFS has been revised to reflect current information and includes an estimate of pressures that have both a short and medium term impact on the tax base for Council Tax and Business Rates.

5.4 Overall, rolling forward a year the Council is forecast to have a funding gap of £5.873m over the next five years. £2.103m of this is in 2023/24 and whilst the overall strategy is to have a balanced five year plan the focus of attention will be on this first year.

	2023/24 (£000's)	**2024/25 (£000's)**	**2025/26 (£000's)**	**2026/27 (£000's)**	**2027/28 (£000's)**	**Total (£000's)**
Income	(159)	337	(170)	(178)	(186)	(356)
Expenditure	2,262	1,256	593	633	1,485	6,229
Gap	**2,103**	**1,593**	**423**	**455**	**1,299**	**5,873**

5.5 The year one gap has decreased from £2.249m (as reported to Cabinet on 6 September 2022) to £2.103m following a review of the costs of financing the capital programme, a revision to estimates regarding inflation on fuel and to reflect the Local Government Finance Settlement.

Income

5.6 A provision for income losses of £0.100m has been built in for each year of the MTFS. An assumed annual increase in fees and charges has also been included of 4% for 2023/24 and 3% for each year thereafter.

Detail	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)	2027/28 (£000's)	Total (£000's)
Government Grant	210	512	12	12	12	758
Business Rates	(355)	(78)	(79)	(81)	(82)	(675)
Fees and Charges	(253)	(197)	(203)	(209)	(216)	(1,078)
Council Tax Support	(30)	-	-	-	-	(30)
Income/Borrowing Pressures	269	100	100	100	100	669
Total	**(159)**	**337**	**(170)**	**(178)**	**(186)**	**(356)**

Government Grant

5.7 Local Government has been through an unprecedented period of austerity. The assumption is for legacy New Homes Bonus grant funding to reduce to nil, with continued one year settlements until further notice, and for Housing Benefit and Council Tax Benefit administration grants to continue to decline over time.

Business Rates

5.8 There have been significant impacts to Business Rates as a result of the Covid-19 crisis. Firstly, there have been a wide range of interventions from Government with extensive discounts and also provision of grant to small businesses. These discounts have been matched with Section 31 grant and have therefore not impacted the Council's bottom line.

5.9 The MTFS currently assumes an inflationary increase of 4% in 2023/24 and 2% per annum thereafter in terms of collectable Business Rates, this is in addition to an inflationary increase in the base level funding set for the Business Rates Retention scheme by Central Government.

Council Tax

5.10 The Council has a market housing supply requirement of 2,153 properties over the 5 year period of the MTFS (excluding affordable housing). The MTFS assumes that the requirement will be met at an average of 431 properties per annum, thus increasing the tax base accordingly. The MTFS assumes a Council Tax increase of 1.99% per Band D property for all years.

5.11 The Council operates a Council Tax Support scheme, introduced following the localisation of support by Government at the start of austerity. Increased levels of Council Tax Support were awarded during 2020/21 in the midst of the Covid-19 pandemic. The MTFS forecast assumes that this pressure on the tax base will be relieved over a 3 year period and that by 2023/24 the levels of support will have returned to pre-pandemic levels, however this will continually be reviewed in light of the Cost of Living Crisis.

Savings/Income Generation

5.12 Work is continuing to identify additional savings proposals in order to address the increased forecast gaps in 2023/24 and beyond. To date savings of £2.103m have been identified for 2023/24 enabling a balanced position to be proposed. £1.548m has been identified for the remainder of the MTFS (total shortfall of £2.222m).

Detail	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)	2027/28 (£000's)	Total (£000's)
Income	270	-	-	-	-	270
One Council	376	-	-	-	-	376
Staffing Related	18	-	-	-	-	18
Good Housekeeping	215	-	-	-	-	215
Tax Base	337	219	222	224	227	1,229
Council Tax Increase	159	161	163	165	167	815
Government Grants	728	-	-	-	-	728
Total	**2,103**	**380**	**385**	**389**	**394**	**3,651**

Expenditure

5.13 Employee pressures relate to assumed pay awards of 4% for 2023/24 and 2.5% for all years thereafter, 2023/24 also provides for the 2022/23 pay award (£1,925 per full time employee regardless of grade) that was over and above the 2.5% assumed, this amounts to a further pressure of £0.447m excluding the associated increases to National Insurance and pension contributions.

5.14 National Insurance contributions related to assumed pay awards and the 2022/23 pay award amount to an additional £0.153m for 2023/24, whilst associated pension contributions result in a pressure of £0.281m.

5.15 A number of new pressures facing the Council in 2023/24 have also been provided for, these include ICT maintenance and software licences and other inflationary costs and pressures regarding service provision.

	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)	2027/28 (£000's)	Total (£000's)
Employees	1,450	547	519	521	533	3,570
Premises	143	27	27	28	28	253
Transport	172	12	12	12	12	220
Financing	405	550	15	52	892	1,914
Pressures	92	120	20	20	20	272
Total	**2,262**	**1,256**	**593**	**633**	**1,485**	**6,229**

Inflation

5.16 Provision for price increases is made in line with the Bank of England target 2% for CPI (Consumer Price Index), with the exception of 2023/24 whereby budgets have been analysed following the Cost of Living Crisis and pressures accordingly accounted for.

Investment

5.17 The base budget includes an annual contribution to the Borough Growth Fund of £0.250m to fund investment in key Council priorities. At the present time the assumption is that this level of investment will continue over the life of the MTFS.

Capital financing

5.18 The proposed Capital Programme for 2023/24 to 2025/26 is based on new schemes which are vital to ensure continued service delivery and in assisting the Council to achieve its corporate and service objectives as set out in the Council Plan 2022-26. These schemes total £48.064m including major investment into the Borough via external funding in terms of the Future High Streets Fund and the Town Deals Fund for both Newcastle and Kidsgrove.

5.19 The capital programme will require to be part funded by borrowings. The total amount of borrowing over 3 years of the proposed Capital Programme for 2023/24 to 2025/26 will amount to £15.079m. The associated borrowing costs have been factored into the MTFS.

Other financing adjustments

5.20 The Council budgeted to finance £0.100m of one-off costs from flexible use of capital receipts in 2022/23. The current assumption is for this to reduce to nil in 2023/24 eliminating the reliance on capital receipts to finance revenue expenditure.

6. In Year Response to Financial Pressures Arising from Covid-19 and Cost of Living Crisis

6.1 There is uncertainty at present with regards to the recovery of lost income levels resulting from the Covid-19 pandemic and the impact of the Cost of Living Crisis. The medium term therefore contains risks around loss of income, these are included as part of the risk assessment informing the Council's level of reserves. A number of steps have been taken in year, or are planned for future periods to continue to address the financial impact and ensure that the Council remains financially resilient including:

- A review of income forecasts as part of monthly budget monitoring processes.
- Maintaining spend within the existing budget envelope as far as possible.
- Identifying management action to reduce in year cost pressures.
- Re-focusing the income collection approach to reduce the impact of bad debt.
- Reassessment of Capital Programme commitments.
- A comprehensive review and risk assessment of the Council's reserves.
- Use of grants to substitute for existing spend wherever possible.
- Asset review to maximise receipts from disposals.

7. Approach

7.1 The following section sets out the central approach to developing the Medium Term Financial Strategy for 2023/24 to 2027/28.

Foundation analysis

7.2 Over the summer and early autumn the groundwork for the MTFS has been undertaken which is primarily the review of the Borough Profile and assessment of the impact of Covid-19 and the Cost of Living Crisis, a full benefit opportunity assessment and benchmarking to give a clear context in which to identify areas for investment and redirection of resources, opportunities for efficiency and income generation and service reconfiguration. Service level benchmarking has primarily been based on DLUHC Revenue Outturn data focussed on the Council's CIPFA statistical "nearest neighbours" and Staffordshire geographical near neighbours. Spend has also been mapped to strategic priorities and outcomes.

One Council

7.3 The One Council Programme was launched in February 2021 following Full Council approval of the budget in order to meet the changing needs of our residents by increasing our ability to provide flexible, efficient and customer driven services. The programme is designed to respond to the key lessons from the Covid-19 pandemic, how this impacted on how customers accessed Council services, and how services flexed in order to remain resilient. The programme focusses on reviewing customer need alongside modernising internal processes whilst developing our internal cultural transformation and ensuring we address financial demands.

7.4 The One Council programme facilitates a fundamental change in Newcastle-under-Lyme Borough Council's operating model and how we address our challenges. Significantly, it sets out to enable the Council to make better use of the resources available to it, ensuring both efficient and effective service delivery.

7.5 Given the broad remit of the programme, overall aims have been considered by integrated work streams aligned to core principles of delivery and achievement and the initial work has been supported by the delivery partner Ignite Consulting who have enabled the team to develop skills in management change and service redesign. Whilst a significant aspect of the programme is to facilitate a move to customer self service via an enhanced website, traditional face to face and telephone access will remain available to those who need it.

7.6 One Council is a "spend to save" programme with an agreed investment of £1.2m. Recurrent benefits will be achieved moving forward. The savings are set to be staggered over the life of the 3 year programme (£0.196m has been achieved in 2021/22, £0.601m will be achieved in 2022/23 with a further £0.376m in 2023/24).

7.7 In order to build the programme and consider the areas for change and focus, the broad concepts of purpose were considered alongside a benchmarking exercise which placed the customer and delivery of services at centre stage. This analysis supported the development of certain big ideas which have formulated the overall Future Operating Model design and have given a structure to the design of service change through the development of the "Big operating Model Building Blocks" of:

- Leadership and Management
- Information Advice and Guidance and Website
- One Front Door
- Internal Support
- Mobile Multifunction Team
- Strategy and Performance Team

Leadership and Management

7.8 The programme realises the importance of cultural development, attitudes, behaviours and overall quality and consistency of leadership as a driver for success. As such a dedicated Culture work stream was initiated which considered our purpose as a Council and provider of services as well as the important people driven elements which would support the achievement of our goals. Focus groups across the council considered our purpose, strengths and weaknesses and contributed to the development of an overall mission statement and related values.

Information, Advice and Guidance / website

7.9 A core aim of the overall programme is to enable residents and local business to self-serve wherever possible, thereby freeing up expertise and staff time to support delivery of complex tasks and innovative services in a more efficient model.

7.10 The Digital work stream engaged with services to consider changes needed to enable this transition for users of our website and contracted with Jadu to develop the new website which was launched on 27 October 2021.

7.11 The site is cleaner and more modern than our previous site and has been developed with a focus on functionality and ease of use to support the customer. The website developments integrate directly with the new One Front Door (or Customer Hub) and drive traffic away from resource heavy phone lines enabling a deeper and broader remit and function to develop within our customer facing team.

7.12 Another aim of One Council is to make our site more commercial. Using the new tools and techniques in Jadu we will be able to sell our services more effectively to increase revenue. Examples include J2, Bereavement Services and Garden Waste.

One Front Door

7.13 The One Front Door, now known as the Customer Hub, is the customer facing function designed to offer end to end service, advice and transactional support to customers of the Council. Overtime this will sit across all outward facing services and by contacting the team, our customers will be able to undertake a range of tasks from planning related queries, to questions around waste collection. A strong feature of this service is providing the team with training and development across a range of services, as well as giving them access to in service technology to allow them to have up to date information and ability to transact specific elements of queries easily and efficiently.

7.14 Work initially focussed on the previous teams for Customer Services and Revenues and Benefits and the two areas have now been consolidated. Pulling the teams together, with focussed work on processes alongside the website development has enabled the team to be resourced more efficiently and for knowledge to be spread amongst a larger number of employees.

7.15 As we continue to embed the learning and knowledge in the team, the service is looking across the rest of the organisation and considering how this concept and model can grow to incorporate further processes and support our customers across a wider range of matters.

Internal Support

7.16 Work is continuing on developing efficiencies within our internal services. This will again provide services with streamlined support and guidance whilst releasing those with technical expertise to focus on value added delivery.

7.17 Much like the One Front Door, there are anticipate efficiencies of scale to be identified here as well as process and technology developments which will enable a reduction in Whole Time Equivalents (WTE) assigned to the teams which is planned to be delivered through MARS as well as natural turnover.

Mobile Multi-Function Team

7.18 The Mobile Multi-Functional Team enables an agile and diverse team of operatives to be dispatched where there is immediate need. Linked to a preventative delivery arm and the One Front Door, the impact on the Borough and residents will be significant and positive.

Strategy and Performance Team

7.19 The Strategy and Performance Team supports services in their strategic aims as well as becoming a critical friend and challenging function in terms of performance and delivery. This function will enable the Council to better use data and performance indicators to drive outcomes against the Council Plan and other strategic aims.

7.20 In addition this service will look outward to strengthen relationships with our partners, consider policy and strategy development and ensure effort and activity drive us closer to our overall aims and vision.

Commercial

7.21 The Council approved its Commercial Strategy in October 2019 with the objectives of maximising commercial opportunities as Government support drops away, requiring councils to become more self-financing. Key themes set out in the Commercial Strategy include:

- Creating and nurturing commercial and development opportunities
- Greater focus on procurement and contract management
- Creating a sustainable commercial programme
- Establishing a strong commercial culture and investing in staff and member skills
- Extracting maximum value from our land and property assets and income streams
- Challenging where services can be commissioned
- Driving our digital agenda forward

7.22 Progress in implementing the commercial strategy in the current year has been limited due to restrictions placed on borrowing for commercial purposes. However, going forward this remains a key supporting strand of the MTFS whereby regeneration priorities can also be met and will need to be properly resourced.

Property

7.23 The Council last updated its Asset Management Strategy in 2018. A further review now needs to be undertaken in order to identify assets which may be suitable for disposal, generating funding for the Capital Programme.

8. Reserves

8.1 Forecast balances for the Council's reserves as at 31 March 2023 are as follows:

Reserve/Fund	Balance 31.3.22 (£'000's)	Forecast Balance 31.3.23 (£'000's)
General Fund	2,160	2,160
Walleys Quarry Reserve	823	600
Income Reserve	100	100
Equipment Replacement	33	42
Budget Support Fund	789	-
Budget Support Fund (Local Plan)	301	200
Budget Support Fund (Homelessness)	329	200
Borough Growth Fund	50	-
Conservation & Heritage Fund	35	30
Mayor's Charity Fund	7	-
Museum Purchases Fund	61	61
Business Rates Reserve	6,046	1,043
Elections Reserve	150	-
Clayton Community Centre Fund	14	19
Totals	**10,898**	**4,455**

8.2 A full reserves risk assessment is completed as part of the 2023/24 budget preparation. However, based on a preliminary assessment it is considered that the current balance of the general fund reserve will be more than sufficient to provide sufficient cover for foreseeable risks, and may be reduced by £0.250m.

8.3 It should be noted that the balance of the Business Rates reserve is inflated for 2021/22 and 2022/23 due to s31 grants received to cover the cost of business rate reliefs in the current financial year. The true underlying position is closer to £1.000m which represents cumulative collection fund surpluses in previous years. This sum will be held to mitigate against future collection fund losses and as a contingency for the Fair Funding Review.

9. Capital Strategy

9.1 The Council agreed its Capital Strategy and Ten Year Capital Programme 2022/23 to 2030/31 in February 2022, this will be refreshed as part of the 2023/24 budget setting process. The Capital Strategy explains how the Council invests its capital funds and the various sources of funding and how this facilitates the delivery of its objectives.

9.2 The main governance of the Capital Strategy is through the Capital, Assets and Commercial Investment Review Group which:

- Reviews and recommends to Cabinet all new General Fund Capital projects
- Ensures capital resources are viewed corporately with a clear link to corporate objectives
- Ensures any revenue costs are identified and considered in the Treasury Management Strategy and the Council's MTFS
- Develops a Capital Strategy which supports the Councils corporate objectives
- Oversees the development and implementation of the asset management and commercial strategies
- Reviews new capital project and commercial investment requests on behalf of Cabinet.

9.3 As part of the Efficiency Board process every capital scheme and in-year capital commitment has been reviewed.

9.4 The draft 10 year Capital Programme for the period 2023/24 to 2032/33 provides for total investment of £84.353m. This programme will be funded by capital receipts, significant external contributions (Town Deals and Future High Streets Funding) and borrowing. The revenue impact of borrowings has been included within the MTFS.

10. Treasury Management Strategy

10.1 The Council agreed its Treasury Management Strategy for 2022/23 in February 2022, the strategy for 2023/24 will be updated alongside the proposed budget and capital programme as part of the 2023/24 budget setting process.

10.2 As referred to in the above section, the Council will be required to borrow to fund the draft Ten Year Capital Programme. The PWLB and Council to Council borrowing are the primary borrowing options that the Council is currently reviewing to fund borrowing in relation to the capital programme.

10.3 The Capital Financing Requirement is set to increase by a further £30.368m by 2032/33 based on the draft 10 year Capital Programme.

Funding Stream	Capital Receipts	External Contributions	Borrowing	Total
2023/24	2,400	12,497	15,463	**30,360**
2024/25	4,000	6,545	(144)	**10,401**
2025/26	4,000	3,543	(240)	**7,303**
2026/27	4,000	1,500	3,229	**8,729**
2027/28	4,000	1,500	(1,295)	**4,205**
2028/29	500	1,500	1,325	**3,325**
2029/30	500	1,500	7,156	**9,156**
2030/31	500	1,500	3,596	**5,596**
2031/32	500	1,500	639	**2,639**
2032/33	500	1,500	639	**2,639**
Total	**20,900**	**33,085**	**30,368**	**84,353**

11. Budget Preparation Timetable

11.1 Work on the development of budget proposals for 2023/24 is at an advanced stage. The final revenue budget and Council Tax proposals, along with the Capital Strategy, Capital Programme and Treasury Management Strategy will be presented for approval at Council in February 2023.

11.2 An Efficiency Board chaired by the Leader of the Council plays a key role in shaping the MTFS and providing input and challenge to savings and investment proposals.

11.3 The decision making timetable was as follows:

Event	Committee	Date
Budget consultation	Proposed to run during December	
Scrutiny of first draft savings proposals	FAPSC	8 December 2022
Approval of final MTFS & consideration of draft budget proposals	Cabinet	10 January 2023
Scrutiny of draft budget proposals	FAPSC	19 January 2023
Final budget proposals recommended for approval by Full Council	Cabinet	7 February 2023
Full Council to approve budget	Full Council	15 February 2023

Appendix A – Summary of Refreshed MTFS Assumptions

	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)	2027/28 (£000's)	Total (£000's)
Employees	1,450	547	519	521	533	3,570
Premises	143	27	27	28	28	253
Transport	172	12	12	12	12	220
Financing	405	550	15	52	892	1,914
Pressures	92	120	20	20	20	272
Income	(159)	337	(170)	(178)	(186)	(356)
Total	**2,103**	**1,593**	**423**	**455**	**1,299**	**5,873**
Savings						
Income	270	-	-	-	-	270
One Council	376	-	-	-	-	376
Staffing Related	18	-	-	-	-	18
Good Housekeeping	215	-	-	-	-	215
Tax Base	337	219	222	224	227	1,229
Council Tax Increase	159	161	163	165	167	815
Government Grants	728	-	-	-	-	728
Total	**2,103**	**380**	**385**	**389**	**394**	**3,651**
Gap	**-**	**1,213**	**38**	**66**	**905**	**2,222**

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NEWCASTLE UNDER LYME
BOROUGH COUNCIL

Capital Strategy
2023 to 2033

Contents

Introduction

The purpose of the Capital Strategy is to set out how the Council proposes to deploy its capital resources in order to assist it to achieve its corporate and service objectives. It takes into account other relevant Council strategies, policies and plans and the views of partners and interested parties with whom the Council is involved. It also takes account of the resources which are likely to be available to the Council to fund capital investment and the effect of that investment on the Council's revenue budget. It will serve as a useful point of reference when determining or reviewing the Council's Capital Programme.

Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.

Due to the ongoing impact of the COVID-19 pandemic, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, additional financial pressures have been placed on the Council. In consideration of these pressures, a review of the 2022/23 Capital Programme has been completed with the assistance of Budget Holders, members of the Capital, Assets and Commercial Investment Review Group and the Council's Efficiency Board. The rationale behind this review was to establish which of the capital projects approved in the programme were essential or health and safety related, could be deferred to the following year due to resources and services available or were no longer required.

The revised 2022/23 Capital Programme totals £32.977m which includes £27.786m for schemes funded by external sources (£20.898m Town Deals, £5.388m Future High Streets and £1.500m Disabled Facilities Grants) and is summarised below, showing the constituent categories of projects:

Project Categories	**Planned Expenditure £m**
One Council delivering for local people	0.309
A successful and sustainable growing Borough	2.671
Healthy, active and safe communities	2.856
Capital contingency	1.000
Town Centres for all	26.160
Total	**32.977**

Full Council will consider a capital programme to continue investment beyond 2022/23 on 15 February 2023.

The Strategy has been prepared against a background of continuing reductions in funding provided to local authorities by central government and its agencies, arising from the need to restrain public expenditure owing to the ongoing economic conditions and to rebalance public finances. At the same time, the Council's own resources available to finance capital projects have reduced to a low level and will need replenishing before any substantial further capital investments can be made. As a result the

Council is considering and consulting upon a programme of asset disposals to address this situation. In addition the Council has also produced a Commercial Strategy with the aim to generate income through commercial activities which can then be reinvested in local priorities.

Key Objectives and Priorities

The Council's Priorities contained in the Council Plan are:

One Council Delivering for Local People
A Successful and Sustainable Growing Borough
Healthy, Active and Safe Communities
Town Centres for All

Capital investment projects will be included in the Council's Capital Programme on the basis that they address issues arising from one or more of these Priority Areas. An indication is shown against each project in the Programme of the area or areas it addresses.

New proposals for capital investment will be assessed against the corporate priorities to ensure that they will contribute towards achieving the aims expressed. This assessment will be carried out as part of the appraisal process for new projects.

The Council will also endeavour, through its programme of capital investment, to maintain its assets to a standard such that they remain fit for purpose, enabling continuity of service delivery. In particular, it will carry out regular surveys of its stock of buildings and structures to ascertain their state of repair and any remedial works which may be necessary. Repair or improvement works arising from such surveys will be carried out subject to the availability of resources and consideration of the role the building plays in service delivery and the need to continue the relevant service in order to contribute to meeting corporate priorities. If a building is no longer required for service delivery, it will either be considered for alternative use by the Council or its partners or disposed of and the proceeds made available for future capital investment in priority areas. All property assets are held to either (i) provide Council services, (ii) provide an investment return or (iii) to further regeneration projects.

A Capital Assets and Commercial Investment Review Group is in place and chaired by the Cabinet Portfolio Holder for Finance, Town Centres and Growth. This Group keeps the Council's capital investment strategy under continuous review, including the prioritisation of projects for inclusion in future capital investment programmes over the medium term. Regular reviews of the property portfolio will be carried out by the group to identify properties or land which could potentially be disposed of, following a consultation process in the case of significant proposals, and a capital receipt obtained from the sale.

Where suitable "Invest to Save" projects can be identified the Council will actively pursue such projects as it recognises the benefits, in the form of reduced costs falling on the General Fund Revenue Account, that can result from such investment.

The Council will seek, where practicable and economically justifiable, to develop its investment projects having regard to principles of sustainability, for example in relation to materials used and environmentally friendly modes of operation once in use, following construction or purchase.

Factors Influencing the Capital Programme

Projects for inclusion in the capital programme arise from a variety of sources, some of them internally generated and some arising from external factors. The more significant of these can be summarised diagrammatically as follows:

INTERNAL	EXTERNAL
Corporate Priorities, as set out in the Council Plan	Government sponsored programmes, e.g. Disabled Facilities Grants
Investment identified in Strategies, Policies and Plans	Unforeseen Emergency Works
Work needed to maintain Property Assets	Works required to comply with legislation, e.g. re disabled access, health and safety
Vehicles, Plant and Equipment replacement needs	Projects resulting from Partnership Activity
ICT Investment and Replacement	Availability of External Funding
Invest to Save Projects	Public expectation that works should be carried out

These are discussed in greater detail in sections below:

Links with Other Strategies, Policies and Plans

As well as the Council's Plan and the Capital Programme the Capital Strategy has clear links to many other strategies, policies and plans, the most significant of which are shown in the following table:

Key Strategies:
Economic Development Strategy
Health and Wellbeing Strategy
Stronger and Safer Communities Strategy

Other Strategies:
Asset Management Strategy
Investment Strategy
Medium Term Financial Strategy
Flexible Use of Capital Receipts Strategy
Service and Financial Plans
Procurement Strategy
Green Spaces Strategy
Private Sector Housing Renewal Strategy
Housing Strategy
Customer Service and Access Strategy
Treasury Management Strategy

An important link is to the Asset Management Strategy (AMS) in that many capital investment projects are related to the Council's fixed assets, such as its stock of buildings. Needs and priorities identified in the AMS will require consideration for inclusion in the Council's Capital Programme and have wider financial consequences. Equally important is the opportunity to generate capital receipts from the disposal of land/property where there is no current or likely future operational need.

The Investment Strategy sets out the Council's policies and practices in relation to commercial investments, for example investments in property and will include information about any such proposals, including funding the expenditure and the effect upon the revenue budget. Expenditure relating to commercial investments will be capital and will be included in the capital programme.

The Medium Term Financial Strategy will take account of the revenue effect of capital investment.

The Flexible Use of Capital Receipts Strategy sets out the conditions and arrangements in place to flexibly use Capital Receipts for qualifying expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years.

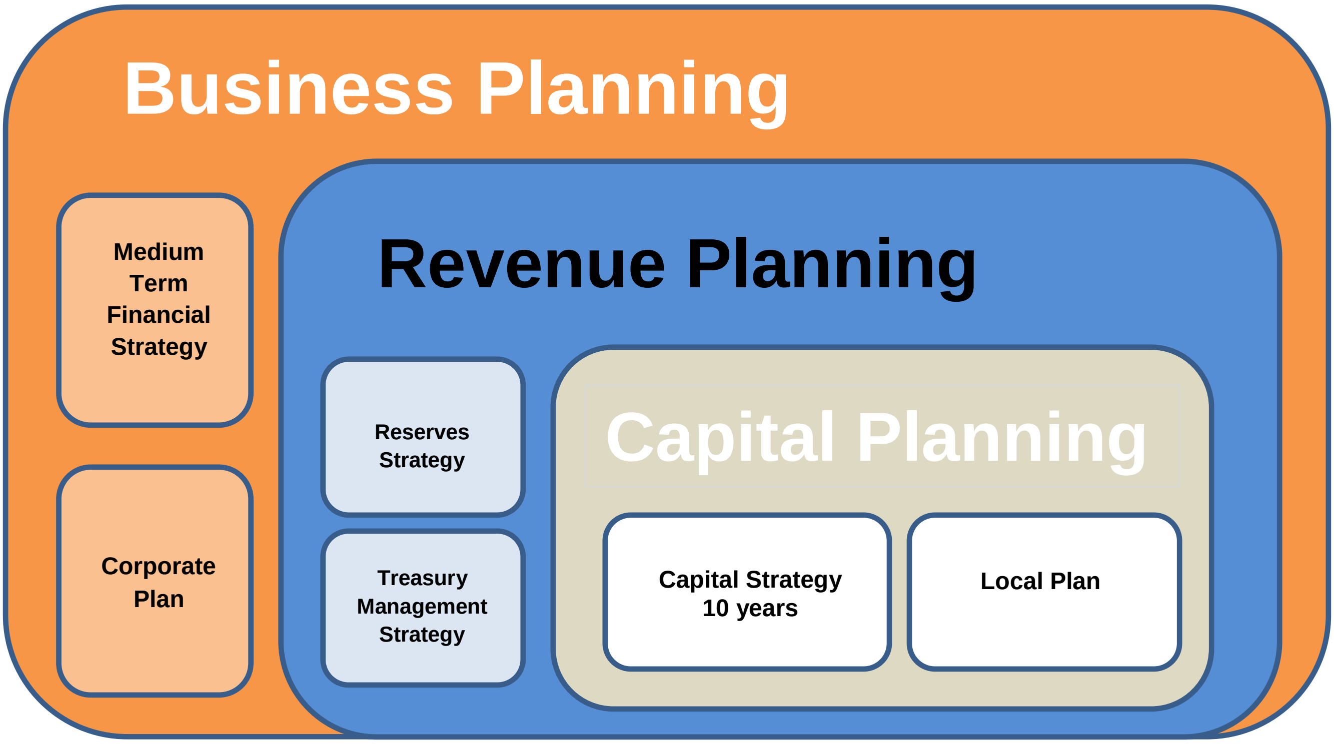
Appraisal, procurement and management of capital projects needs to be carried out with regard to the objectives, methodologies the principles and practices set out in the Procurement Strategy.

The various service based strategies will inform the Council's capital investment process through their identification of areas for action and of priorities within individual service areas.

The Treasury Management Strategy needs to reflect planned capital spend, particularly with regard to setting limits for tying up money over the longer term and the limits relating to the amount of permitted borrowing.

In addition the Capital Strategy will be influenced by the results of any Service Reviews which have been carried out by the Council, either as part of the budget preparation process or as one-off exercises. Where these reviews identify areas of service which are to be discontinued, this may give rise to assets which will be available for disposal and possibly generate a capital receipt which will be available for funding further capital investment. Alternatively reviews may identify areas for investment, including potential "invest to save" projects, some of which may be capital investment.

Simple Business Planning Model



External Influences, Partners and Consultation with Other Interested Parties

The Council's capital investment plans are influenced by a number of external parties and factors: central government and its agencies, legislation requiring capital works, partner organisations, businesses, developers and by the needs and views of other interested parties, particularly those of Borough residents

Government sponsored initiatives and programmes will influence the projects which the Council will include in its capital investment plans. In particular, its Housing Investment Programme in which the Council participates with regard to Disabled Facilities Grants, this is a major area of investment where funding is provided by Government to meet a proportion of the costs of some of these activities. This funding currently consists mainly of grant payments to partially meet the cost of disabled facilities grants payable to eligible applicants.

Where required by legislation to carry out works of a capital nature, such as to comply with the Disability Act or Health and Safety requirements, or anti-pollution regulations, the Council will consider the most effective way to discharge its obligations and appropriate provision will be made in its Capital Programme once it has determined that it shall carry out the necessary work and that this should be capitalised.

The Council works with a wide range of partners from the public, private, voluntary and community sectors, all of which have an influence over its spending priorities. Relationships with partners, including those concerning capital matters, will be governed by the Council's Partnerships Code of Practice. Wherever possible the Council will seek to work in partnership with others to deliver its capital investment programme in order to provide facilities which meet its own and partners' needs. When working with the private sector, the objective will be to maximise the benefits to the Council and the community from any projects, both in terms of outputs and in relation to obtaining funding for the project.

The Council is a participant in the Local Strategic Partnership (LSP) and will have regard to the content of its Sustainable Community Strategy together with any other elements of the partnership which relate to capital investment and may be able to use the capital programme as a means of fulfilling some of its obligations to the LSP.

Projects for consideration for inclusion in the Capital Programme may arise from the Council's participation in the Staffordshire and Stoke-on-Trent Local Enterprise Partnership (LEP) or similar sub-regional partnerships which seek to stimulate economic growth.

The Council has established a Town Centre Partnership, together with relevant parties such as representatives of retailers and businesses in the town centres of Newcastle and Kidsgrove. The partnership may identify proposals for town centre improvements which could place demands upon future capital programmes where such works align with the Council's economic development objectives. It may also present an opportunity for costs to be shared between the parties likely to benefit from their implementation.

The availability of external funding (particularly in relation to the successful Town Deals and Future High Street Fund bids) will also influence the projects which the Council will include in its capital investment plans. This is referred to in the following section of the Strategy.

Regard will be given to the Council's obligations under disabled access requirements in putting forward proposals for capital investment and in the design of any facilities which are proposed.

Wherever possible the principles of financial and environmental sustainability will be incorporated into any capital projects.

Resources Available to Finance Capital Investment

The following diagram shows the main sources of funding which are available to the Council to finance its capital investment. Individual projects may be financed solely by one of these or by a combination of a number of them.

INTERNAL	**EXTERNAL**
Capital Receipts in Hand	Government Grants
Reserves	Other Grants, e.g. Heritage Lottery Fund
New Capital Receipts from Asset Sales	Contributions from Partners
Revenue Contributions	Other Contributions
	Borrowing

More details of these funding sources are given in the following paragraphs:

Capital receipts have been the major source of funding for the Capital Programme in recent years. Capital receipts, alongside borrowing and external contributions, are committed to finance the currently approved Capital Programme. Additional capital projects may be financed from capital receipts obtained by asset sales or other new capital streams.

A previously significant source of capital receipts has been the Council's continuing right to a share of receipts arising from tenants of Aspire Housing under the Right to Buy legislation. However, Right to Buy sales have diminished from historically high levels, both because of the present depressed property market and there being fewer potential purchasers as time goes by. Future sales income is projected to be in the range of £0.5m per annum.

Capital receipts from sales of land and property (including covenant release payments) have been relatively modest in recent times.

The Asset Management Strategy sets out expected sales over the next ten years. It is anticipated that receipts from sales will increase in the medium term, enabling some increase in financing of capital investment from this source. The Capital, Assets and Commercial Investment Review Group meets on a bi-monthly basis and is responsible for the formulation of strategies in respect of income generation relating to asset disposals.

The use of capital receipts and reserves to finance new capital projects has an effect upon investment income receipts and hence the General Fund Revenue Account. At an investment interest rate of around 2.5%, every £100,000 of such capital receipts or reserve balances used will cost £2,500 to the revenue account on an ongoing basis. The use of capital receipts and reserves to finance the Capital Programme is taken account of in the Medium Term Financial Strategy. Any receipts generated from the sale of assets will be invested until they are required to finance capital expenditure.

Wherever Government grants are available to meet all or part of the cost of capital projects the Council will ensure that these are applied for and used to maximise the amount of investment which can be made and the benefit which will result from that investment.

Funding will be sought towards the cost of capital projects from external parties wherever possible and appropriate. The prime examples of these being the Town Deals (£36.756m between 2022/23 and 2025/26), Future High Streets Fund (£7.080 between 2022/23 and 2023/24) and Disabled Facilities Grants. These may include property developers, central government and government agencies, funding bodies such as the National Lottery or the Football Foundation and partner organisations that may join with the Council to bring forward particular projects of mutual benefit.

The Council is presently debt free, having no long term loans outstanding. The capital investment programme set out in Annex B will require a significant amount of borrowing if it is to be carried out in its entirety. The use of borrowing has an effect on the General Fund Revenue account in terms of interest payable and the requirement to allocate a Minimum Revenue Provision, for a typical asset with a useful life of 20 years borrowing costs currently amount to around £7,000 for every £100,000 borrowed.

There is no intention to charge any capital investment directly to the General Fund Revenue Account.

The Council does not presently intend to consider the use of Private Finance Initiative type arrangements or tax increment financing to meet the cost of capital investment.

The Head of Finance (Section 151 Officer) will prepare estimates of the resources which are presently in hand plus those likely to be available in future to finance capital investment. They will keep these estimates up to date and periodically report upon them to Cabinet and Council, particularly when the Capital Programme is being considered. The Council will decide on the appropriate form of financing for projects included in the Capital Programme based on advice from the Head of Finance (Section 151 Officer) as to availability and the consequences and costs of use of the various options.

The need to have available liquid funds to be used to pay for capital projects will be considered when drawing up the Council's Treasury Management Strategy. An appropriate limit will be placed on long term investments based on predictions of the capital spending profile over the period covered by the Strategy so that there are likely to be enough readily available easily cashable investments to meet requirements.

Revenue Implications

The impact upon the General Fund Revenue Account arising from capital investment proposals will be calculated and considered at the time projects are placed before Cabinet or Full Council for inclusion in the approved Capital Programme or for specific approval. Such impact may be in the form of reduced interest receipts, where projects are to be financed from capital receipts or reserves, borrowing costs, if loan finance is to be employed, or additional running costs arising from the provision of a new or altered facility. Offset against these costs will be any savings which might accrue, for example from “invest to save” projects.

The Council will always have regard to the affordability of its proposed capital investments, in terms of the revenue implications arising.

The revenue implications of the capital programme will be taken account of in the Council’s Medium Term Financial Strategy.

Appraisal and Prioritisation of Investment Proposals

In accordance with the Council’s Financial Regulations proposals for new capital investment estimated to cost more than £100,000 will be subject to an appraisal process, whereby a business case will be made out for the proposal, considering its contribution towards meeting corporate objectives and service priorities, its outputs and milestones, its cost and sources of and its effect, if any, upon the revenue budget in future years. Less significant projects costing below £100,000 will be subject to a simplified process. All new capital investment proposals must be considered by the Capital, Assets and Commercial Investment Review Group prior to specific Cabinet approval being requested. Before any project may be commenced specific Cabinet approval must be obtained and the project will only be included in the approved Capital Programme, after considering its priority relative to other proposed projects and the overall level of resources available to fund the Capital Programme as a whole.

Work is being undertaken to develop the project prioritisation process further during 2022/23 in order to provide a robust, transparent and impartial basis for determining the relative merits of individual projects proposed for inclusion in the capital programme. No projects should be considered in isolation. They must be required to be measured against all other competing projects to determine which should go forward. This process should also apply to any projects which are proposed subsequent to the approval of the programme, to ensure that only those projects with a high priority are proceeded with and funds are not diverted to projects of a lesser priority.

A Risk Assessment, in the approved corporate format, will be completed for capital projects over £100,000.

Monitoring Arrangements and Project Management

Progress in relation to individual projects will be monitored through the Council's arrangements for the monitoring of capital projects, which entail quarterly monitoring reports to be received by the Cabinet. The Capital Assets and Commercial Investment Review Group will also review project progress and corrective action will be initiated where projects fall behind schedule, appear likely to overspend or otherwise give cause for concern. Individual Project Forms will be maintained in respect of each project by the Head of Finance (S151 Officer) which will track the progress of projects and be available to officers and members with an interest in reviewing progress of those projects.

All projects will be assigned to a named officer who will be responsible for overseeing the project, including project monitoring and control and implementing exception reports and, where appropriate, corrective action if the project deviates from its planned progress or cost. Where complex major projects are to be carried out, consideration will be given to employing the Prince2 project management methodology.

All capital projects will be subject to Internal Audit review to ensure correct procedures have been followed and sums have been paid out in accordance with Financial Regulations and Standing Orders as they relate to contracts. Where projects have received funding from government or quasi-governmental sources, the expenditure will also be subject in many cases to external audit. European Union funded projects may also be subject to audit by auditors on behalf of that body. Where monitoring returns or claims for reimbursement of expenditure are required to be sent to funding bodies, these will be completed and forwarded promptly to the relevant body in compliance with any deadlines laid down by them. All capital investment proposals and project progress and management are subject to the Council's scrutiny arrangements.

Statutory Framework

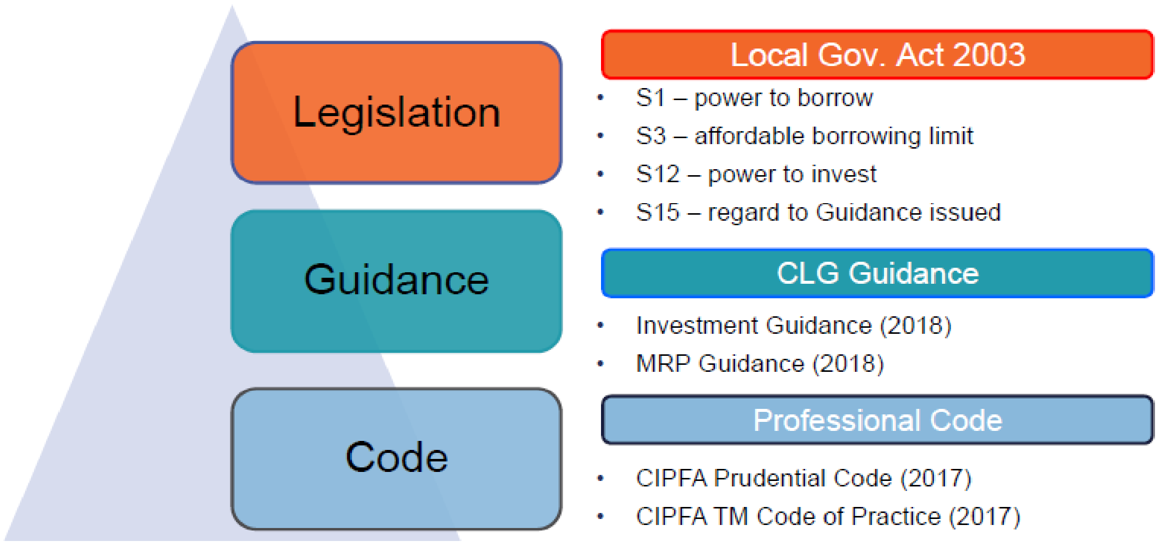
The Council's capital investment is carried out within the statutory framework laid down by the Local Government Act 2003 and regulations under that Act. Accordingly, only expenditure which fits the definition of capital expenditure contained in the Act or Regulations pursuant to it will be capitalised.

Capital expenditure is defined by the 2003 Act as that which falls to be capitalised in accordance with proper practices, which means in accordance with the Code of Practice on Local Authority Accounting, published by the Chartered Institute of Public Finance and Accountancy (CIPFA), applicable to all local authorities. Annex A sets out a summarised version of the definition provided by the Code. In addition there are a number of other types of expenditure that have been defined by Regulations as being treatable as capital in nature. Generally these do not apply to this Council.

It should be noted that the Act and Regulations are framed in a permissive way, allowing local authorities to capitalise expenditure which fits the definition but not forcing them to capitalise such expenditure. The Council will decide, therefore, whether to include a project meeting the capital definition in its capital programme or to meet its cost from a revenue account.

The Council does not set a minimum amount for the capitalisation of expenditure (de minimis level). Accordingly, any expenditure complying with the above definition may be capitalised.

Legal and Regulatory Requirements



Prudential Indicators

The Council shall ensure that all of its capital expenditure, investments and borrowing decisions are prudent and sustainable. In doing so it will take into account its arrangements for the repayment of debt and consideration of risk and the impact, and potential impact, on the Council's overall fiscal sustainability. The Council's prudential indicators (shown in Annex C) are as follows:-

- <u>Estimates of capital expenditure</u>

  The Council will make reasonable estimates of the total of capital expenditure that it plans to incur during the forthcoming financial year and at least the following two financial years.

- <u>Actual capital expenditure</u>

  After the year end, the actual capital expenditure incurred during the financial year will be recorded.

- <u>Estimates of capital financing requirement</u>

  The Council will make reasonable estimates of the total capital financing requirement at the end of the forthcoming financial year and the following two years.

- <u>Actual capital financing requirement</u>

  After the year end, the actual capital financing requirement will be calculated directly from the Council's balance sheet.

- <u>Ratio of financing costs to net revenue streams</u>

  This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs.

- <u>Authorised limit on external borrowing</u>

  The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. excluding investments) for the Council. This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

- <u>Operational boundary for external debt</u>

  This indicator refers to the means by which the authority manages its external debt to ensure it remains within the statutory authorised limit. It differs from the authorised limit in as far as it is based on the most likely scenario, in terms of capital spend and financing during the year.

- <u>Gross debt and capital financing requirement</u>

  This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

  Where the gross debt is greater than the capital financing requirement the reasons for this should be clearly stated in the annual treasury management strategy.

Procurement

Regard will be given to the contents of the Council's Procurement Strategy when considering the delivery of capital projects.

Where estimated project contract costs exceed the relevant statutory threshold, the appropriate EU or other tendering procedures will be followed.

Standing Orders relating to contracts will apply to all contracts proposed to be let in relation to capital projects, together with Financial Regulations and the provisions of the Council's scheme of Delegation.

The achievement of Value for Money will be a guiding principle in the procurement of capital works and services and in managing contracts.

Future Capital Programme

Capital investment needs have been assessed over a ten year period (2023/24 to 2032/33) and are set out in Annex B.

During this period, there will be a need for some items of capital investment to be made in order to ensure continued service delivery or to comply with statutory requirements or to ensure health and safety of staff and public. Examples of these include: operational building repairs and maintenance; replacement of vehicles, plant and equipment required to deliver services; disabled facilities grants.

It may be possible to extend the lives of some of the vehicles, if they are in a fit condition when their replacement date is reached. Similarly some of the maintenance/improvement works to the Council's operational properties may be capable of being deferred; periodic stock condition surveys will inform any decisions in this regard. Additionally, some properties may be deemed surplus to operational requirements and eligible for disposal in their current condition.

In addition to the essential works outlined above, there are significant amounts of expenditure which need to be incurred:

- In respect of the Town Deals and Future High Streets Fund funding successfully bid for, these projects will have a significant impact upon the regeneration and recovery of both Newcastle and Kidsgrove Town centres

- In respect of the commercial portfolio in order to keep properties in a state of repair such as to continue to obtain a reasonable rental income

- To maintain various engineering structures such as walls, bridges, drains, and reservoirs to ensure safety to the public

- To enable agreed actions in relation to approved policies and strategies to be progressed and to meet other Council commitments.

Over the period 2023/24 to 2032/33 it is estimated that this expenditure will total £84.353m.

Funding will depend on capital receipts from asset sales. There will be insufficient capital receipts arising from these planned sales to meet all of the costs of the investment programme. Accordingly, it is estimated that around £30.368m of net expenditure will have to be funded from borrowing over the ten year period if the programme is to be delivered in its entirety.

There will be a consequent cost to the revenue budget which will have to be included in the MTFS projections. Based on the expenditure shown in Annex B and forecasts of the amount and timing of receipts and current capital financing costs, the additional costs to the revenue budget will be around £15.718m over 10 years, with the costs in each year 2023/24 to 2032/33 being as shown below:

Year	Total £m
2023/24	0.471
2024/25	1.023
2025/26	1.037
2026/27	1.090
2027/28	1.982
2028/29	2.002
2029/30	2.022
2030/31	2.043
2031/32	2.06
2032/33	1.988
Total	**15.718**

A capital programme for 2023/24 to 2025/26 totalling £48.064m will be recommended to Full Council on 15 February 2022, consistent with the detail shown in Annex B. The prudential indicators that will apply for this 3 year period are set out at Annex C.

Funding for 2023/24 expenditure is likely to be available from the following sources:

- Further capital receipts from asset sales;
- Right to Buy capital receipts;
- Government grants;
- Other external contributions; and
- Borrowing.

All of the above funding sources are likely to be limited so the programme only includes affordable projects.

As described earlier, current estimates of the amount required to be invested in projects to ensure continued service delivery and meet commitments compared with forecasts of likely receipts from asset sales and other available resources indicate that there will be insufficient resources available to fund all of these requirements. If forecast receipts from sales of assets cannot be achieved within this timeframe, the Council may have to review its stance with regard to borrowing, if this proves to be the only practical means of funding necessary investment, particularly if a major unforeseen item of capital expenditure were to materialise, for example major repairs to enable an operational building to continue to be used or new legislation requiring capital spending.

Annex A – Definition of Capital Expenditure included in the Code of Practice on Local Authority Accounting in the United Kingdom

All expenditure that can be directly attributed to the acquisition, creation or enhancement of items of property, plant and equipment or the acquisition of rights over certain longer-term intangible benefits is accounted for on an accruals basis and capitalised as a non-current asset. It must be probable that the future economic benefits or service potential associated with the item will flow to the Council - the Council does not have to own the item but it must be more than likely that it has gained the right to use the item in the provision of services or to generate cash from it. In addition it must be possible to measure the cost of the item reliably.

Expenditure that should be capitalised will include expenditure on the:

- Acquisition, reclamation or laying out of land;
- Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures; and
- Acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels.

In this context, the definition of enhancement contained in the previous Code of Practice (SORP) is still applicable and means the carrying out of works which are intended to:

- Lengthen substantially the useful life of the asset; or
- Increase substantially the market value of the asset; or
- Increase substantially the extent to which the asset can or will be used for the purpose or in conjunction with the functions of the local authority concerned.

Under this definition, improvement works and structural repairs should be capitalised, whereas expenditure to ensure that the fixed asset maintains its previously assessed standard of performance should be recognised in the revenue account as it is incurred. Expenditure on existing fixed assets should be capitalised in three circumstances:

- Enhancement - see above;
- Where a component of the fixed asset that has been treated separately for depreciation purposes and depreciated over its individual useful life is replaced or restored; or
- Where the subsequent expenditure relates to a major inspection or overhaul of a fixed asset that restores the benefits of the asset that have been consumed by the authority and have already been reflected in depreciation.

Assets acquired on terms meeting the definition of a finance lease should be capitalised and included together with a liability to pay future rentals.

Where an asset is acquired for other than cash consideration or where payment is deferred the asset should be recognised and included in the balance sheet at fair value.

Annex B - 2023/24 to 2032/33 Capital Programme

CAPITAL PROGRAMME	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	TOTAL
	£	£	£	£	£	£	£	£	£	£	£
PRIORITY - One Council Delivering for Local People											
Service Area - Council Modernisation	1,991,500	269,000	481,500	331,000	75,000	346,000	431,000	121,000	31,000	31,000	4,108,000
Total	**1,991,500**	**269,000**	**481,500**	**331,000**	**75,000**	**346,000**	**431,000**	**121,000**	**31,000**	**31,000**	**4,108,000**
PRIORITY - A Successful and Sustainable Growing Borough											
Service Area - Housing Improvements	1,670,000	1,670,000	1,720,000	1,670,000	1,595,000	1,595,000	1,595,000	1,595,000	1,595,000	1,595,000	16,300,000
Service Area - Managing Property & Assets	882,342	1,442,918	1,266,411	569,746	495,475	590,448	310,000	704,483	172,500	172,500	6,606,823
Total	**2,552,342**	**3,112,918**	**2,986,411**	**2,239,746**	**2,090,475**	**2,185,448**	**1,905,000**	**2,299,483**	**1,767,500**	**1,767,500**	**22,906,823**
PRIORITY - Healthy, Active and Safe Communities											
Service Area - Environmental Health	60,000	-	12,000	-	-	-	12,000	-	-	-	84,000
Service Area - Streetscene & Bereavement Services	790,000	240,000	280,000	165,000	140,000	140,000	165,000	1,690,000	140,000	140,000	3,890,000
Service Area - Recycling & Fleet	5,601,000	303,000	1,230,000	5,943,100	1,900,000	654,000	6,643,000	1,391,000	700,000	700,000	25,065,100
Service Area – Leisure and Cultural	368,000	16,000	150,000	-	-	-	-	-	-	-	534,000
Service Area - Engineering	110,000	1,415,000	120,000	50,000	-	-	-	95,000	-	-	1,790,000
Total	**6,929,000**	**1,974,000**	**1,792,000**	**6,158,100**	**2,040,000**	**794,000**	**6,820,000**	**3,176,000**	**840,000**	**840,000**	**31,363,100**
PRIORITY - Town Centres for All											
Service Area - Managing Property & Assets	7,300,000	-	-	-	-	-	-	-	-	-	7,300,000
Future High Streets Fund	1,691,166	-	-	-	-	-	-	-	-	-	1,691,166
Town Deals – Newcastle	4,706,000	2,251,000	807,000	-	-	-	-	-	-	-	7,764,000
Town Deals - Kidsgrove	4,190,000	2,794,000	1,236,000	-	-	-	-	-	-	-	8,220,000
Total	**17,887,166**	**5,045,000**	**2,043,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**24,975,166**
CONTINGENCY £1m to be carried forward from 2022/23	1,000,000	-	-	-	-	-	-	-	-	-	-
TOTAL	**30,360,008**	**10,400,918**	**7,302,911**	**8,728,846**	**4,205,475**	**3,325,448**	**9,156,000**	**5,596,483**	**2,638,500**	**2,638,500**	**84,353,089**
FUNDING											
Capital Receipts	2,400,000	4,000,000	4,000,000	4,000,000	4,000,000	500,000	500,000	500,000	500,000	500,000	**20,900,000**
External Contributions	12,497,166	6,545,000	3,543,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	**33,085,166**
Borrowing/Leasing	15,462,842	-144,082	-240,089	3,228,846	-1,294,525	1,325,448	7,156,000	3,596,483	638,500	638,500	**30,367,923**
TOTAL	**30,360,008**	**10,400,918**	**7,302,911**	**8,728,846**	**4,205,475**	**3,325,448**	**9,156,000**	**5,596,483**	**2,638,500**	**2,638,500**	**84,353,089**

Annex C – Prudential Indicators

Capital Prudential Indicators

Actual and Estimate of Capital Expenditure

31/03/22 Actual (£000's)	31/03/23 Estimate (£000's)	31/03/24 Estimate (£000's)	31/03/25 Estimate (£000's)	31/03/26 Estimate (£000's)
14,743	32,976	30,360	10,400	7,303

The Capital Financing Requirement (The Councils Borrowing Need)

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

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

The CFR projections are below:

31/03/22 Actual (£000's)	31/03/23 Estimate (£000's)	31/03/24 Estimate (£000's)	31/03/25 Estimate (£000's)	31/03/26 Estimate (£000's)
10,726	11,100	26,600	26,500	26,300

The amounts shown above from 2022/23 onwards allow the Council to borrow during those years to finance capital expenditure which cannot be funded from other revenue or capital resources. However, the likelihood of individual schemes, the timings and the amounts involved cannot be assessed with certainty at this point.

The sale of Council assets for capital receipts will have a significant impact upon the CFR, if sales are made the Council's borrowing requirement will be reduced, if not the Council's borrowing requirement will be greater.

Affordability Prudential Indicators

Actual and Estimates of the Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Financing Costs comprise the aggregate of: interest payable, interest receivable and investment income; the amount charged as MRP; depreciation and impairment charges that have not been reversed out of the revenue account.

Net Revenue Stream is defined as the ‘amount to be met from government grants and local taxpayers’. This is the Council’s ‘budgetary requirements’ figure shown in the General Fund Revenue Budget, being the net expenditure for the year before deducting government grants (Revenue Support and Business Rates Retention) and adjusting for the Collection Fund surplus/deficit. The relevant figures for this Council are set out in the table below:

	2021/22 Actual (£000’s)	2022/23 Estimate (£000’s)	2023/24 Estimate (£000’s)	2024/25 Estimate (£000’s)	2025/26 Estimate (£000’s)
Net Revenue Stream	14,956	15,269	15,269	15,269	15,269
Financing Costs	65	94	499	1,008	1,023
Ratio	0.43%	0.62%	3.27%	6.60%	6.70%

Treasury Indicators

Limits to Borrowing Activity

The Local Government Act 2003 requires each local authority to determine and keep under review how much money it can afford to borrow. This is to be determined by the calculation of an affordable borrowing limit which Regulations to the Act specify should be calculated with regard to the CIPFA Prudential Code.

Previously borrowing has not been used to fund the capital programme because the Council has had sufficient reserves and useable capital receipts to finance capital expenditure from these sources.

The Operational Boundary

This is the limit beyond which external debt is not normally expected to exceed.

Operational boundary	2022/23 Estimate (£000’s)	2023/24 Estimate (£000’s)	2024/25 Estimate (£000’s)	2025/26 Estimate (£000’s)
Borrowing	95,000	95,000	95,000	95,000
Other long term liabilities	0	0	0	0

The Authorised Limit for External Borrowing

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

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

The Council is asked to approve the following authorised limit:

Authorised limit	2022/23 Estimate (£000's)	2023/24 Estimate (£000's)	2024/25 Estimate (£000's)	2025/26 Estimate (£000's)
Debt	100,000	100,000	100,000	100,000
Other Long Term Liabilities	0	0	0	0

Limits on Interest Rate Exposures (fixed and variable interest rates)

The following limits will apply in relation to the Council's interest rate exposure. They relate to interest on both borrowings and investments. These limits are intended to reduce the risk of the Council suffering unduly from significant adverse fluctuations in interest rates.

Limit on Fixed Interest Rate Exposures (as a percentage of total borrowings / investments)

	Borrowing		Investments	
	Upper	**Lower**	**Upper**	**Lower**
2022/23	100%	0%	100%	0%
2023/24	100%	0%	100%	0%
2024/25	100%	0%	100%	0%
2025/26	100%	0%	100%	0%

Limit on Variable Interest Rate Exposures (as a percentage of total borrowings/ investments)

	Borrowing		Investments	
	Upper	**Lower**	**Upper**	**Lower**
2022/23	100%	0%	100%	0%
2023/24	100%	0%	100%	0%
2024/25	100%	0%	100%	0%
2025/26	100%	0%	100%	0%

In relation to both borrowing and investing fixed rate investments and loans may be anything between 0% and 100% of the total, with the same proportions being permitted for variable rate loans – in effect there is no limit on each type. This enables maximum flexibility to be afforded to take advantage of prevailing interest trends to obtain the best deal for the Council.

Treasury Management Strategy

2023/24

Contents

Introduction

Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council may invest or borrow 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 Council's prudent financial management.

Treasury risk management at the Council 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 Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

Economic Situation

Highlights of the report supplied by Arlingclose Ltd.

External Context

Economic background: 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.

The Bank of England (BoE) increased the 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.

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.

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.

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.

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.

Credit outlook: 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.

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.

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.

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.

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): 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.

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.

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.

A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix A.

Local Context

On 21st November 2022, the Council held no borrowing and £29.75million of treasury investments, largely due to grant monies temporarily held. This is set out in further detail at Annex B. Forecast changes in these sums are shown in the balance sheet analysis in table below:

Balance Sheet Summary and Forecast	**31/03/2022 Actual £m**	**31/03/2023 Forecast £m**	**31/03/2024 Forecast £m**	**31/03/2025 Forecast £m**	**31/03/2026 Forecast £m**
General Fund CFR	10.7	11.1	26.6	26.5	26.3
Less: Existing external borrowing	0.0	0.0	(0.4)	(15.9)	(15.8)
Less: Usable reserves	(10.9)	(3.8)	(4.1)	(2.0)	(2.1)
Less: Working capital	(15.5)	(6.9)	(6.6)	(8.7)	(8.6)
(New Investments or Cash)/ New external borrowing	**(15.7)**	**0.4**	**15.5**	**(0.1)**	**(0.2)**

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. Where borrowing is required this will be in line with Arlingclose's current advice of doing so from other local authorities on a short term basis. This will be undertaken until it becomes advantageous to switch to long term debt, with the lowest cost option being considered, including such options as municipal bonds

The Council has an increasing CFR due to the capital programme, but minimal investments and may therefore be required to borrow over the forecast period. More details in relation to the Council's CFR are included within the Capital Strategy.

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

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 above, but that cash and investment balances are kept to a minimum level of £1m at each year-end to maintain sufficient liquidity but minimise credit risk.

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.

Liability Benchmark	**31/03/2022 Actual £m**	**31/03/2023 Forecast £m**	**31/03/2024 Forecast £m**	**31/03/2025 Forecast £m**	**31/03/2026 Forecast £m**
General Fund CFR	10.7	11.1	26.6	26.5	26.3
Less: Balance sheet resources	(26.4)	(10.7)	(11.1)	(26.6)	(26.5)
Net loans requirement	(15.7)	0.4	15.5	(0.1)	(0.2)
Plus: Liquidity Allowance	-	1.0	1.0	1.0	1.0
Liability benchmark	**(15.7)**	**1.4**	**16.5**	**0.9**	**0.8**

Borrowing Strategy

The Council does not currently hold any loans, as per the previous year, as part of its strategy for funding previous years' capital programmes.

The balance sheet forecast, in the table above, shows that the Authority expects to borrow by the end of 2022/23. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing.

The Council'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 Council's long-term plans change is a secondary objective.

Given the significant cuts to public expenditure and in particular to local government funding, the Council'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.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal or 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 Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council 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.

Although not utilised in recent years, the Council has previously considered the option of long-term borrowing from the Public Works Loans Board (PWLB). However consideration will now be given to long-term loans from other sources including banks, pensions and local authorities, and the Council 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 Council intends to avoid this activity in order to retain its access to PWLB loans.

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.

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

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;
- capital market bond investors; and
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.

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; and
- sale and leaseback.

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 Council.

Short-term and variable rate loans: These loans leave the Council exposed to the risk of short-term interest rate rises.

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 Council 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

The Council can hold significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's treasury investment balance has ranged between £5.9 million and £38.6 million. The highest figure of £38.6 million was invested in October, when the Council received monies in relation to Town Deal Funding and Disabled Facilities grants.

The CIPFA Code requires the Council 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 Council'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 Council 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 Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

The Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

Under the IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed 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.

The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown.

Approved investment counterparties and limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	3 years	Unlimited	n/a
Local authorities & other government entities	3 years	£7m	unlimited
Secured investments*	3 years	£7m	unlimited
Banks (unsecured)*	13 months	£7m	unlimited
Building societies (unsecured)*	13 months	£7m	£7m
Registered providers (unsecured)*	3 years	£10m	£10m
Money market funds*	n/a	£7m	unlimited
Real estate investment trusts	n/a	£2m	£2m
Other investments	3 years	£7m	£7m

* 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.

For entities without published credit ratings, investments may be made either where external advice indicates the entity to be of similar credit quality.

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.

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.

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.

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.

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.

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.

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.

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.

Operational bank accounts: The Council may incur operational exposures, for example though 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 £7,000,000 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 Council maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. 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.

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 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.

The Council 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 Council'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.

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.

Investment limits: In order that the Council will not 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 and Registered Providers) will be £7 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

Limits are also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors 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.

Additional Investment limits

	Cash limit
Any group of pooled funds under the same management	£7m per manager
Negotiable instruments held in a broker's nominee account	£7m per broker
Foreign countries	£7m per country

Liquidity management: The Council uses cash flow forecasting 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 Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

Non-treasury investments are covered by the Council's Investment Strategy.

Treasury Management Prudential Indicators

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

Security

The Council 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	A

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	£1m

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 indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	(£113,000)
Upper limit on one-year revenue impact of a 1% fall in interest rates	£113,000

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.

Maturity structure of borrowing

This indicator is set to control the Council’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	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%

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.

Principal sums invested for periods longer than a year

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2023/24	2024/25	2025/26	No Fixed Date
Limit on principal invested beyond year end	£25m	£25m	£25m	£25m

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.

The Council's Operational Boundary and Authorised Limit for External Borrowing are detailed in the Council's Capital Strategy.

Related Matters

The CIPFA Code requires the Council to include the following in its treasury management strategy.

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. 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).

The Council 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 Council 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.

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.

In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Markets in Financial Instruments Directive (MiFID II): The Council has retained retail client status with its providers of financial services, including advisers and banks, allowing it access to a smaller range of services but with the greater regulatory protections afforded to individuals and small companies. This is believed to be the most appropriate status given the size and range of the Council's treasury management activities. The Council may upgrade their client status to professional if the requirements to do so are met during the year. This will allow a greater range of services but without the same level of regulatory protections provided by retail client status.

Financial Implications

The budget for investment income in 2023/24 is nil. The budget for debt interest paid in 2023/24 is £254,000. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. It is believed 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

Annex 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.
- 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-mth 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*
5-yr 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*
10-yr 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*
20-yr 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*
50-yr 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 Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

Annex B – Existing Investment & Debt Portfolio Position

	21/11/2022 Actual Portfolio £m	21/11/2022 Average Rate %
Treasury investments:		
Banks & building societies (unsecured)	3.5	2.90
Government (incl. local authorities)	25.25	2.72
Money Market Funds	1.0	2.77
Total treasury investments	29.75	
Total external borrowing	0.0	
Net investments	**29.75**	

Annex C – Minimum Revenue Provision Policy

Background

In instances whereby Local Authorities have a positive Capital Financing Requirement (CFR), Ministry of Housing, Communities and Local Government (MHCLG) Guidance requires them to adopt a prudent approach in order to fund the repayment of debt. This may be achieved by setting aside a minimum amount from revenue, known as the Minimum Revenue Provision (MRP). This means that the Council would be required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the MRP).

MHCLG Regulations and Guidance have been issued which require the Full Council to approve **an MRP Statement** in advance of each year. Four options for prudent provision of the MRP are provided to councils, these being:

Option 1 – Regulatory Method

For debt which is supported by the Government through the Revenue Support Grant system, authorities may continue to use the formulae in the current regulations, since the Revenue Support Grant is calculated on that basis. Although the existing regulation 28 is revoked by regulation 4(1) of the 2008 Regulations, authorities will be able to calculate MRP as if it were still in force. Solely as a transitional measure, this option will also be available for all capital expenditure incurred prior to 1 April 2008.

Option 2 – Capital Financing Requirement Method

This is a technically much simpler alternative to Option 1 which may be used in relation to supported debt. While still based on the concept of the CFR, which is easily derived from the balance sheet, it avoids the complexities of the formulae in the old regulation 28 (though for most authorities it will probably result in a higher level of provision than Option 1).

Option 3 – Asset Life Method

For new borrowing under the Prudential system for which no Government support is being given and is therefore self-financed, there are two options included in the guidance.

Option 3 is to make provision over the estimated life of the asset for which the borrowing is undertaken. This is a possibly simpler alternative to the use of depreciation accounting (Option 4), though it has some similarities to that approach.

Within option 3, two methods are identified. The first of these, the equal instalment method, will normally generate a series of equal annual amounts over the estimated life of the asset. The original amount of expenditure (“A” in the formula) remains constant.

The cumulative total of the MRP made to date (“B” in the formula) will increase each year. The outstanding period of the estimated life of the asset (“C” in the formula) reduces by 1 each year.

For example, if the life of the asset is originally estimated at 25 years, then in the initial year when MRP is made, C will be equal to 25. In the second year, C will be equal to 24, and so on. The original estimate of the life is determined at the outset and should not be varied thereafter, even if in reality the condition of the asset has changed significantly

The formula allows an authority to make voluntary extra provision in any year. This will be reflected by an increase in amount B and will automatically ensure that in future years the amount of provision determined by the formula is reduced.

The alternative is the annuity method, which has the advantage of linking MRP to the flow of benefits from an asset where the benefits are expected to increase in later years. It may be particularly attractive in connection with projects promoting regeneration or administrative efficiencies or schemes where revenues will increase over time.

Option 4 – Depreciation Method

Alternatively, for new borrowing under the Prudential system for which no Government support is being given, Option 4 may be used.

This means making the MRP in accordance with the standard rules for depreciation accounting. A step in this direction was made in the last set of amendments to the MRP rules [SI 2007/573]. However, the move to reliance on guidance rather than regulations will make this approach more viable in future.

Authorities will normally need to follow the standard procedures for calculating depreciation provision. But the guidance identifies some necessary exceptions:

The MRP continues until the total provision made is equal to the original amount of the debt and may then cease.

If only part of the expenditure on the asset was financed by debt, the depreciation provision is proportionately reduced.

MRP Policy in respect of Finance Leases

The introduction of International Financial Reporting Standards in 2011/12 resulted in some leases being reclassified as finance leases instead of operating leases. This resulted in a positive CFR and as such the need to set aside a MRP.

In accordance with the revised MHCLG Guidance this Council will set aside an annual MRP equal to the amount of the lease that has been taken to the Balance Sheet to reduce the finance lease liability i.e. the principal amount of the finance lease. This approach will produce an MRP charge which is the same as Option 3 in the guidance (Asset Life Method – annuity method). The revised guidance aims to ensure that authorities are in the same position as if the change in accounting standards had not occurred.

MRP Policy – Other Capital Expenditure

Capital Financing Requirement (CFR)

The Council's CFR is currently positive. This means that there is a requirement to set aside a MRP for the redemption of debt. The Prudential Indicator for the CFR, shown at Table 1 in the Treasury Management Strategy, indicates that the CFR will become positive within the period covered by the Strategy. This is based on the assumption that there will be a general overall increase in expected capital expenditure, which cannot be funded from revenue or capital resources. Accordingly, the Council needs to determine the option it will employ to make the necessary MRP in respect of the amount borrowed, when this occurs.

Option for making MRP

The most appropriate of the four options permitted by the Regulations is Option 3, the Asset Life Method, within which there are two further options, an equal instalment method and an annuity method (as detailed in 1.1 – option 3). The Council is permitted to apply either of these two further options to projects on a scheme by scheme basis. However preference will be the annuity method.

It should be noted that MRP does not commence until the year following that in which the asset concerned became operational; however, voluntary MRP can be made at any given time if considered prudent.

Annex D – Treasury Management Glossary of Terms

- *Basis Points –* there are 100 basis points to 1%.
- *Credit Default Swap* – an additional assessment of credit worthiness by providing a risk analysis of changes in credit quality as perceived by the market.
- *CFR* – the Capital Financing Requirement is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources.
- *CIPFA* – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations.
- *Counterparty* – an institution with whom a borrowing or investment transaction is made.
- *CPI* – a measure that examines the weighted average of prices of a basket of consumer goods and services. The Consumer Price Index is calculated by taking price changes for each item in the predetermined basket of goods/services and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.
- *Credit Rating* – is an opinion on the credit-worthiness of an institution, based on judgements about the future status of that institution. The main rating agencies are Fitch. Standard and Poor's and Moody's.
- *Depreciation* – the measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.
- *GDP* – Gross Domestic Product is the market value of all officially recognised final goods and services produced within a country in a given period of time.
- *IFRS (International Financial Reporting Standards)* – International accounting standards that govern the treatment and reporting of income and expenditure in an organisation's accounts, which came fully into effect from 1 April 2010.
- *Leasing* - a lease is a contractual arrangement calling for the lessee (user) to pay the lessor (owner) for use of an asset.
- *Liquidity* – relates to the amount of readily available or short term investment money which can be used for either day to day or unforeseen expenses. For example Call Accounts allow instant daily access to invested funds.
- *MHCLG* – Ministry of Housing, Communities, and Local Government (formerly the Department for Communities and Local Government).
- *Money Market Funds (MMF)* – Money Market Funds are investment funds that are invested by a Fund Manager in a wide range of money market instruments. MMF's are monitored by the official ratings agencies and due to many requirements that need to be fulfilled; the funds usually receive the highest quality rating (AAA) so provide minimal risk. They are very flexible and can be withdrawn in the same way as any other call deposit.
- *MPC* – interest rates are set by the Bank of England's Monetary Policy Committee. The MPC sets an interest rate it judges will enable the inflation target to be met
- *MRP* – the Minimum Revenue Provision represents the revenue charge for the repayment of debt.
- *PWLB* – the Public Works Loan Board is a statutory board that is run within the UK Debt Management Office (DMO), its function is to lend money to Local Authorities and other prescribed bodies.

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Investment Strategy
2023/24

Contents

Introduction

This strategy is compiled according to the Ministry of Housing, Communities and Local Government's Guidance on Local Government Investments ("the Guidance") and the 2017 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code") It sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The Guidance distinguishes between Treasury Management Investments and Other Investments. Treasury Management Investments are those which arise from the Council's cash flows and debt management activity and ultimately represent balances which need to be invested until the cash is required for use in the course of business. Other Investments are all those falling outside of normal treasury management activity, as defined above. They may be made with the express purpose of making a financial surplus for the Council, usually as a means towards balancing the revenue budget. They may be funded from borrowing where appropriate. The prime example referred to in the Guidance is direct investment in property assets. Loans, for example to voluntary organisations, local enterprises or joint ventures are also classified as Other Investments.

The Council 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).

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.

Possible Revisions to the Strategy

The initial strategy may be replaced with a revised strategy at any time during the year in cases where any treasury management issues (including investment issues) need to be brought to the attention of Full Council.

Treasury Management Investments

The Council 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 £0m and £30m during the 2023/24 financial year.

Contribution: The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

Further details: Full details of the Council's policies and its plan for 2023/24 for treasury management investments are covered in a separate document, the treasury management strategy.

Service Investments: Loans

Contribution: During 2021/22 and 2022/23 to date the Council has not lent money to local charities, housing associations or any other bodies. However the Council would consider applications from such bodies individually, in order to support local public services and stimulate local economic growth.

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 Council, upper limits on the outstanding loans to each category of borrower have been set as follows:

Loans for service purposes in £ thousands

Category of borrower	**31/03/2022 Actual**			**2023/24**
	Balance owing	**Loss allowance**	**Net figure in accounts**	**Approved Limit**
Local charities	0	0	0	500
Housing associations	0	0	0	10,000
Other bodies	0	0	0	500
TOTAL	**0**	**0**	**0**	**11,000**

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

Risk assessment: The Council assesses the risk of loss before entering into and whilst holding service loans on an individual basis for each proposal. The risks inherent in the proposal will be reported to members when it is placed before them for consideration together with an assessment of the likelihood of any of them materialising, their impact on the revenue budget and the mitigating controls that will be put in place. Risk factors to be assessed include:

- barriers to entry into and exit out of the market concerned;
- the nature and level of competition;
- how the market and customer needs will evolve over time;
- ongoing need for further investment to be made; and
- whether there is sufficient internal capacity to assess the business case and risks relating to the proposal.

An initial review of each proposal will be carried out by Council officers, intended to determine whether there are any risks apparent at that stage which indicate that the proposal should not be proceeded with. Provided this is not the case and it has also been determined that there is a worthwhile business case for further consideration, a more detailed risk assessment will be carried out. Where necessary, owing to lack of internal expertise, external advisors may be used to assist with the assessment of appropriate risks. Any other appropriate sources of information may be used to assess and monitor risk, including credit ratings, if these are relevant. Data used to monitor ongoing risk will be reviewed regularly and appropriate action will be taken if there are any indications of increasing risk or risks materialising.

The Council will consider the following points:

- the degree to which the loan complies with corporate policies and furthers corporate objectives;
- the overall desirability of the activity which the loan is intended to fund;
- affordability in terms of the use of capital or other resources and impact on the revenue budget;
- the likelihood that the loan will be repaid in accordance with agreed terms; and
- the total amount of loans already made to ensure that as a whole the Council is not over-exposed to the risk of default.

All proposed loans will be subject to approval by members, normally via Full Council, following consideration of a report setting out all relevant matters, including compliance with the above criteria.

All loans will be subject to credit control arrangements to recover overdue repayments. Credit risk will be determined by reference to the “expected credit loss” model for loans and receivables as set out in International Reporting Standard (IFRS) 9 Financial Instruments.

Service Investments: Shares

Contribution: The Council currently does not invest in the shares of suppliers and local businesses in order to support local public services and stimulate local economic growth. This is due to the nature of the risks associated with investing in shares i.e. they are volatile and may fall in value meaning that the initial outlay may not be recovered. If the Council was to consider investing in shares, then in order to limit the risk, upper limits on the sum invested in each category of shares would need to be set.

Shares held for service purposes in £ thousands

Category of company	**31/03/2022 actual**			**2023/24**
	Amounts invested	**Gains or losses**	**Value in accounts**	**Approved Limit**
Suppliers	0	0	0	250
Local businesses	0	0	0	250
TOTAL	**0**	**0**	**0**	**500**

Non-specified Investments: Shares are the only investment type that the Council has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Council’s upper limits on non-specified investments. The Council has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

If the Council were to consider placing funds in any other type of investment which would be categorised as Non-Specified, the security of the capital sum would be the paramount concern. The same requirements as to credit ratings relating to Specified Investments will apply, and in appropriate cases the advice of the Council's treasury management advisors will be sought.

Commercial Investments: Property

Contribution: The Council invests in local commercial property with the intention of making a profit that will be spent on local public services. These are held primarily to earn income to be used to support the revenue budget although in some cases there may also be a contribution towards the economic wellbeing of the Borough.

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

A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment.

The majority of the investment property portfolio was acquired some time ago and there is no debt associated with any of the properties and the initial investment costs have been recouped many years ago. Investment properties are valued at fair value. The values of the properties will fluctuate according to market conditions prevailing from time to time, however these fluctuations do not constitute losses of capital invested. The value of investment properties included in the Council's balance sheet as at 31 March 2022 is £11.554m.

If there are any new commercial investments funded from borrowing, their value will be monitored to determine whether it is sufficient to act as security for the capital invested and outstanding borrowing. If there is a significant fall in value then this will be reported to members.

Risk assessment: There are risks associated with making and holding commercial investments which require assessment and management.

With regard to the Council's current portfolio of commercial investments, comprising investment properties, the main risk is of not achieving the budgeted amount of income or of expenditure exceeding budgeted amounts. These risks are assessed and provided for via the assessment of the appropriate amount to hold in reserve in General Fund Balances. If the result of the assessment shows that current levels are inadequate, the necessary additional contribution will be made via inclusion in the Medium Term Financial Strategy.

With regard to consideration of proposed new commercial investment there will be additional risks to be assessed and taken account of. The degree of control which the Council has over the materialisation of these risks and its ability to mitigate them should they arise will be important considerations. In most, if not all, cases the Council will be operating in a competitive environment and possibly one which it is not experienced in operating within, all of which increases the level of risk.

A comprehensive risk assessment, taking account of all appropriate factors, will be carried out on an individual basis for each investment proposal. The risks inherent in the proposal will be reported to members when it is placed before them for consideration together with an assessment of the likelihood of any of them materialising, their impact on the revenue budget and otherwise and available mitigation measures. Risk factors to be assessed include:

- barriers to entry into and exit out of the market concerned;
- the nature and level of competition;
- how the market and customer needs will evolve over time;
- ongoing need for further investment to be made, for example to adapt investment property or repair defects or carry out cyclical maintenance; and

- whether there is sufficient internal capacity to assess the business case and risks relating to the proposal.

An initial review of each proposed investment will be carried out by Council officers, intended to determine whether there are any risks apparent at that stage which indicate that the proposal should not be proceeded with. Provided this is not the case and it has also been determined that there is a worthwhile business case for further consideration of the investment, a more detailed risk assessment will be carried out. Where necessary, owing to lack of internal expertise, external advisors may be used to assist with the assessment of appropriate risks. Any other appropriate sources of information may be used to assess and monitor risk, including credit ratings, if these are relevant. Data used to monitor ongoing risk will be reviewed regularly and appropriate action will be taken if there are any indications of increasing risk or risks materialising.

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. There is no outstanding borrowing in relation to the current portfolio so any sales proceeds would be available in full to support capital investment.

In the case of any future commercial property investments, the likely degree of liquidity will be a consideration in deciding whether to make the investment.

Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council and are included here for completeness. To date, the Council is not contractually committed to make any loans.

Proportionality

The Council is dependent on profit generating investment activity to achieve a balanced revenue budget.

Net investment property income is subject to fluctuation according to market conditions and other factors such as bad debts and unforeseen expenditure. Accordingly the possibility of shortfalls in contribution towards the revenue budget from this source is one of the factors specifically taken into consideration in calculating the level of General Fund balance to be held as a contingency against adverse budget variances. A total of £2.160m is held in balances at 31st March 2022 to cover this and other risks and can be drawn upon in the event of risks materialising.

It is not planned to vary the amount of investment property held in the short term. However, in accordance with the Asset Management Strategy, all such property will be kept under review to determine whether the return obtained justifies retention and there may be instances where it is decided to dispose of property to obtain a capital receipt. The net contribution made towards balancing the revenue budget and the options for replacing any significant loss of income will be one of the factors taken into account when determining whether or not to dispose of a property.

Borrowing in Advance of Need

The Prudential Code for Capital Finance in Local Authorities (2017) issued by CIPFA states that local authorities should not borrow more than or in advance of their needs purely to profit from the investment of the extra sums borrowed. This is repeated in the Statutory Investment Guidance issued by the Ministry of Housing, Communities and Local Government.

The reasons for making an investment are unlikely to be purely in order to make a profit since investments may also be made with the intention of furthering corporate aims or service objectives, such as economic regeneration.

Accordingly, borrowing will be permitted in respect of Other Investments. The Council will consider each proposal to borrow on its merits. As well as the corporate or service benefits due regard will be given to the financial impact upon the revenue budget in terms of capital financing costs.

All borrowing will be subject to approval by members, normally via Full Council, following consideration of a report setting out all relevant matters, including those referred to above.

Capacity, Skills and Culture

Council members and staff involved in dealing with Other Investments will have regard to the provisions of the CIPFA Prudential Code and the regulatory regime within which local authorities operate when carrying out these functions.

Investment in commercial property is a specialist area and the Council will therefore commission external advice in order to effectively appraise investment proposals, negotiate with third parties or manage certain types of investment on an ongoing basis. The external advice will be commissioned on a case by case basis and where asset management is required external managers may need to be employed, particularly if investment is made in residential property.

Decisions to make Other Investments and the means of financing them will be subject to member approval. This will normally be by Full Council (but may be by Cabinet where permitted by the Council’s Constitution). Members will consider a report setting out all matters relevant to the making of an investment before making a decision. The normal scrutiny and call-in arrangements will apply.

Investment Indicators

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

Gross and Net Income - Historic and Current Year

	2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Estimate*
	£'000	£'000	£'000	£'000
Commercial Properties				
Gross Income	806	925	864	1,005
Gross Expenditure - Excluding Capital Charges	(519)	(964)	(837)	(944)
Net Income / (Expenditure)	**287**	**(40)**	**27**	**61**
Net Service Expenditure (Whole Council)	(7,487)	(7,515)	(7,641)	(7,919)
Ratio of Net Income to Net Service Expenditure	**3.83%**	**-0.53%**	**0.35%**	**0.77%**

*Gross and Net Income - Over Period of Approved Medium Term Financial Strategy 2023/24 to 2027/28 – Based on 2% increase on 2022/23**

	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	£'000	£'000	£'000	£'000	£'000
Gross Income	1,025	1,046	1,067	1,088	1,110
Gross Expenditure	(963)	(982)	(1,002)	(1,022)	(1,042)
Net Income	**62**	**64**	**65**	**66**	**68**

** Change in recharge process, property staffing costs now directly charged to commercial properties*

Vacancy Levels

2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Actual at Q2
%	%	%	%
8.3	5.7	10.2	11.5

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Council
01 February 2023

Report Title: **Publication of a Pay Policy Statement for 2023/24**

Submitted by: **Chief Executive**

Portfolios: **One Council, People and Partnerships**

Ward(s) affected: **Not Applicable**

Purpose of the Report To invite Council to approve its Pay Policy Statement for 2023/24
Recommendation **That the Pay Policy Statement attached at Appendix A to this report be approved.**
Reasons To ensure the council complies with the requirements of the Localism Act 2011 and the guidance issued by the Department for Communities and Local Government 'Openness and Accountability in Local Pay'

1. **Background**

1.1 The Localism Act 2011 (the Act) requires local authorities to prepare and publish a pay policy statement for each financial year. The statement should set out the authority's policies relating to the remuneration of its chief officers, the remuneration of its lowest paid employees and the relationship between the remuneration levels of those two groups.

2. **Issues**

2.1 The statement should set out the authority's policies relating to the remuneration of its chief officers, the remuneration of its lowest paid employees and the relationship between the remuneration levels of those two groups.

2.2 The government recommends the publication of an organisation's pay multiple, the ratio between the highest paid employee and the median average earnings across the organisation, as a means of illustrating that relationship.

2.3 The Council's approach to performance related pay must also be included in the pay policy statement.

2.4 The proposed pay policy statement for 2023/24 is set out at Appendix A.

3. **Proposal**

3.1 That the council approves the content of the Pay Policy Statement for 2023/24, as set out at Appendix A, with a view to this being published on the council's website by 31 March 2023.

4. **Reasons for Proposed Solution**

4.1 To ensure that the appropriate information will continue to be made available to the public in accordance with the requirements of the Localism Act 2011

5. **Options Considered**

5.1 The precise format and content of pay policy statements is a matter for each council to determine, so long as the basic requirements as to their content are met. In 2012, West Midlands Councils produced a Model Pay Policy Statement which drew together drafts from several authorities in the region with a view to a common approach being adopted to facilitate benchmarking of pay data. This format was adopted each year subsequently up to and including the current pay policy statement.

6. **Legal and Statutory Implications**

6.1 Preparation of a Pay Policy Statement for 2023/24 is a requirement under section 38(1) of the Localism Act 2011.

6.2 Under Section 40(1) of the Act, Authorities must have regard to the guidance issued by the Department for Communities and Local Government in preparing and approving pay policy statements.

6.3 Before it takes effect, the Pay Policy Statement must be approved by a resolution of full council. This must be done no later than 31 March 2023.

6.4 Following approval, the statement must be published as soon as possible on the authority's website (and in any other manner the authority thinks fit).

6.5 An authority may amend its Pay Policy Statement in-year and this also requires a resolution of full council.

7. **Equality Impact Assessment**

7.1 The council's pay policy statement is simply an annual summary of the content of other policies and the processes through which pay rates are set. Equality considerations are taken into account when devising and applying those other polices and processes.

8. **Financial and Resource Implications**

8.1 There are no unbudgeted revenue costs or resource implications associated with the approval of the pay policy statement. Changes to pay policy are determined through other processes where all relevant implications are taken into account. The pay policy statement is simply an annual summary statement of the content of those other policies

9. **Major Risks**

9.1 Not applicable.

10. **UN Sustainable Development Goals (UNSDG)**

10.1 The pay policy statement is simply an annual summary statement of the content of those other policies

11. **Key Decision Information**

11.1 The adoption of a pay policy statement is not a Key Decision. Changes to pay policy are determined through other processes where all relevant implications are taken into account, including whether any proposed changes amount to a Key Decision. The pay policy statement is simply an annual summary statement of the content of those other policies.

12. **Earlier Cabinet/Committee Resolutions**

12.1 Not Applicable

13. **List of Appendices**

13.1 Appendix A – Proposed Pay Policy Statement for 23/24

14. **Background Papers**

14.1 Department of Communities and Local Government – Openness and Accountability in local pay: Draft guidance under Section 40 of the Localism Act

14.2 Local Government Association and Association of Local Authority Chief Executives – Localism Act: Pay Policy Statements Guidance for Local Authority Chief Executives.

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Appendix A

Newcastle-under-Lyme Borough Council
Pay Policy Statement – 2023/24

Introduction and Purpose

Section 38 of the Localism Act 2011 requires the council to publish a Pay Policy Statement (the "Statement"). The purpose of the Statement is to set out the council's approach to how its employees are paid.

The Statement must reviewed at least annually, so that full Council can approve, prior to the 31st of March each year, the Statement that will apply in the following financial year. Any in-year amendments to the Statement must also be approved by full Council.

The Statement is published on 1st April 2023 and comes into immediate effect.

Legislative Framework

In deciding how its employees are paid, the council complies with all relevant employment legislation. This includes the Equality Act 2010, the Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, the Agency Workers Regulations 2010 and the Transfer of Undertakings (Protection of Employment) Regulations 2006.

Pay Structure

The posts of the majority of employees have been assessed using a National Joint Council for Local Government Services (NJC) job evaluation scheme which is supported by both the national trade unions and the council. That scheme evaluates and the requirements, demands and responsibilities of each role and then directly ascribes evaluated roles to a nationally negotiated pay scale. This ensures that there is no pay discrimination and that all pay differentials can be objectively justified.

The NJC pay scale was last increased by a fixed sum of £1925 (pro rata for part time employees) on all pay points from 1st April 2022. National bodies are yet to agree any pay award for 2023/24 but once this is agreed, NULBC will apply this across the payscales in line with national guidance.

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 the times those services are required.

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 a market supplement 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. Any market supplements awarded are kept under review.

Where the council has been unable to recruit to critical roles under a contract of employment, or there is a short term need it may engage individuals under 'contracts for service'. These will be sourced through the relevant procurement process ensuring the council is able to demonstrate the maximum value for money in securing the relevant service.

1 officer retains terms and conditions (including salary) from their previous organisation through TUPE regulations.

2 officers are employed on apprenticeship contracts with salaries and terms in line with national scheme.

Senior Management Pay

For the purposes of this Statement, the council has had regard to the definitions of "Chief Officers" (statutory and non-statutory) and "Deputy Chief Officers" set out in Section 43 of the Localism Act 2011 and Section 2 of the Local Government and Housing Act 1989.

The definition of Chief Officers (statutory and non-statutory) covers the council's:-

- Chief Executive
- Deputy Chief Executive
- Section 151 Officer
- Monitoring Officer

The statutory definition of Deputy Chief Officers includes all employees who report directly to Chief Officers, with the exception of secretarial and clerical support roles. However, because of the way some of our departments are structured, there are some employees who are not in secretarial or clerical support roles who do report directly to Chief Officers, but who we do not consider to be Senior Managers for the purposes of this Statement. We have not, therefore, listed those specific posts below.

In reaching this decision, we have had regard to the guidance issued about Pay Policy Statements, which draws on the Accounts and Audit Regulations 2015 salary publication threshold of £50,000 to identify "senior employees". We also note the content of Government's Transparency Code 2015 on this issue.

Accordingly, for the purposes of this Statement, staff members who are paid less than £50,000 are not considered to be Deputy Chief Officers/Senior Managers for the purposes of this Statement. Those officers are paid in accordance with the JNC pay scale set out in Figure 1.

Appendix A

Chief Officers

1) The Chief Executive (Head of the Paid Service). The salary of the post is a spot salary of £112, 590. There is no incremental point range. This does not include payments the Chief Executive may receive as the Council's Returning Officer for elections.

2) Deputy Chief Executive. The salary of this posts fall within a range of 4 incremental points between £91, 040 and £96, 986

3) Monitoring Officer. The Council's Service Director for Legal & Governance Services is designated as the Council's Monitoring Officer. As such this falls within the definition of a Chief Officer role. The Service Director for Legal & Governance Services is remunerated on the SD scale which has a range of 3 incremental points between £ 66,000 and £72, 000. The post also receives a Statutory Officer Allowance of £10,000.

4) Section 151 Officer. The Council's Section 151 Officer is remunerated on the SD scale which has a range of 3 incremental points between £66,000 and £72, 000. The post also receives a Statutory Officer Allowance of £10,000.

Deputy Chief Officers

5) The Council operates a career grade scale at Deputy Chief Officer level, which allows controlled progression from Head of Service to Service Director Level following skills and experience assessment. There are 7 service areas of responsibility whose lead officers fall within in this category which are identified below.

    i. Strategy, People and Performance
    ii. Digital, IT and Internal Transactions
    iii. Regulatory Services
    iv. Sustainable Environment
    v. Neighbourhood Delivery
    vi. Planning (currently vacant)
    vii. Commercial Delivery

6) The Deputy Chief Officer will usually start at the minimum point in the initial half of the salary scale (Head of Service) and progress until the gateway point after which they may progress to the additional pay points as Service Director on assessment of appropriate skills acquisition (see figure 1)

Appendix A

Other Remuneration

The council does not apply any target related bonuses or performance related pay to its senior managers. Progression through the pay increments in a pay scale (where relevant) are subject to satisfactory performance which is assessed on an annual basis.

Payments on Termination

The council's approach to 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. That policy statement is available on the Council's website.

Any other payments falling outside the policy statement relating to termination payments prior to reaching normal retirement age or outside of contractual notice periods shall, where those payments exceed £100,000, be authorised by a resolution of full Council. This is without prejudice to the urgency provisions which are set out in the Council's constitution.

Flexible Retirement

The council's policy on Flexible Retirement for members of the Local Government Pension Scheme is available on the Council's website

Publication

Upon approval by the full council, this statement will be published on the council's Website, alongside data required under the Transparency Code 2015.

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 setting out the total amount of:

- salary, fees or allowances paid to or receivable by the person in the current and previous year;
- any bonuses so paid or receivable by the person in the current and previous year;
- any sums payable by way of expenses allowance that are chargeable to UK income tax;
- any compensation for loss of employment and any other payments connected with termination;
- any benefits received that do not fall within the above

Lowest Paid Employees

The lowest paid persons employed under a contract of employment with the council are employed on full time (37 hours) equivalent salaries in accordance with the

Appendix A

National Living Wage. No employee is paid under the National Living Wage hourly rate of £10.42 (for those age 23 and over from April 2023)
The council employs apprentices who are not included within the definition of 'lowest paid employees' as they are employed under the National Apprenticeship Scheme.

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.

The current pay levels within the council give a multiple between the lowest paid (full time equivalent salary) employee and:-

- the Chief Executive as 1:5.56
- the average Chief Officer (excluding the Chief Executive, but including deputy chief officers) as 1:3.72
- the median (average) full time equivalent earnings and average chief officer as 1:2.81

Date of Statement: 15th February 2023

Appendix A

Figure 1

NJC SALARY SCALES

GRADE	SPINAL COLUMN POINT	SALARY £	Hourly Rates
Grade 2	1	20,258	10.50
	2	20,441	10.60
Grade 3	3	20,812	10.79
	4	21,189	10.98
Grade 4	5	21,575	11.18
	6	21,968	11.39
Grade 5	7	22,369	11.59
	8	22,777	11.81
	9	23,194	12.02
	10	23,620	12.24
	11	24,054	12.47
Grade 6	12	24,496	12.70
	13	25,409	13.17
	14	25,878	13.41
	15	26,357	13.66
	16	26,845	13.91
Grade 7	17	27,344	14.17
	18	27,852	14.44
	19	28,371	14.71
	20	28,900	14.98
	21	29,439	15.26
Grade 8	22	30,151	15.63
	23	31,099	16.12
	24	32,020	16.60
	25	32,909	17.06
Grade 9	26	33,820	17.53
	27	34,723	18.00
	28	35,411	18.35
Grade 10	29	36,298	18.81
	30	37,261	19.31
	31	38,296	19.85
Grade 11	32	39,493	20.47
	33	40,478	20.98

	34	**41,496**	**21.51**
	35	**42,503**	**22.03**
	36	**43,516**	**22.56**
	37	**44,539**	**23.09**
Grade 12	**38**	**45,495**	**23.58**
	39	**46,549**	**24.13**
	40	**47,573**	**24.66**
	41	**48,587**	**25.18**
	42	**49,590**	**25.70**
Grade 13	**43**	**50,600**	**26.22**
	44	**51,638**	**26.76**
Grade 14	**45**	**52,699**	**27.31**

Deputy Chief Officer Pay

SCALE	**YEAR**	**£ per annum**	**£ per hour**
Head of Service	1	56,084.60	29.07
	2	59,207.31	30.69
	3	62,329	32.31
Skills Gateway			
Service Director	1	66,000	34.21
	2	69,500	36.02
	3	72,000	37.32

Chief Officer Pay

SCP	**£ per annum**	**£ per hour**
EXD-1	91,040	47.19
EXD-2	93,023	48.22
EXD-3	95,004	49.24
EXD-4	96,986	50.27
CEO	112,590	58.36