



# Executive Committee

Tue 7 Feb  
2023  
5.30 pm

Council Chamber,  
Redditch Town Hall,  
Walter Stranz Square  
Redditch  
B98 8AH

**REDDITCH** BOROUGH COUNCIL

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**If you have any queries on this Agenda please contact  
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## **GUIDANCE ON FACE-TO-FACE MEETINGS**

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

**Please note that this is a public meeting**

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

### **GUIDANCE FOR ELECTED MEMBERS ATTENDING MEETINGS IN PERSON**

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

### **PUBLIC ATTENDANCE**

Members of the public will be able to access the meeting if they wish to do so. Seating will be placed in such a way as to achieve as much space as possible for social distancing to help protect meeting participants. It should be noted that members of the public who choose to attend in person do so at their own risk.

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

### **Notes:**

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



# Executive

Tuesday, 7th February, 2023

5.30 pm

Council Chamber Town Hall

## Agenda

### Membership:

Cllrs:	Matthew Dormer (Chair)	Lucy Harrison
	Nyear Nazir (Vice- Chair)	Anthony Lovell
	Karen Ashley	Emma Marshall
	Joanne Beecham	Craig Warhurst
	Peter Fleming	

### 1. Apologies

### 2. Declarations of Interest

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

### 3. Leader's Announcements

### 4. Minutes (Pages 5 - 16)

### 5. Homelessness Prevention Grant 2023/24 (Pages 17 - 22)

### 6. Independent Remuneration Panel Report 2023/24 (Pages 23 - 38)

### 7. Pay Policy Statement 2023/24 (Pages 39 - 50)

### 8. 2023/24 Budget and Medium Term Financial Plan 2023/24 to 2025/26 (Including Treasury Management Strategy and Capital Programme) (Pages 51 - 110)

### 9. Overview and Scrutiny Committee (Pages 111 - 122)

### 10. Minutes / Referrals - Overview and Scrutiny Committee, Executive Panels etc.

To receive and consider any outstanding minutes or referrals from the Overview and Scrutiny Committee, Executive Panels etc. since the last meeting of the Executive Committee, other than as detailed in the items above.

## **11. Advisory Panels - update reports**

Members are invited to provide verbal updates, if any, in respect of the following bodies:

- a) Climate Change Cross-Party Working Group – Chair, Councillor Anthony Lovell;
- b) Constitutional Review Working Panel – Chair, Councillor Matthew Dormer;
- c) Corporate Parenting Board – Council Representative, Councillor Nyear Nazir;
- d) Member Support Steering Group – Chair, Councillor Matthew Dormer; and
- e) Planning Advisory Panel – Chair, Councillor Matthew Dormer.

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



# Executive Committee

Tuesday, 10th January,  
2023

## MINUTES

### Present:

Councillor Matthew Dormer (Chair), Councillor Nyear Nazir (Vice-Chair) and Councillors Karen Ashley, Joanne Beecham, Peter Fleming, Lucy Harrison, Emma Marshall and Craig Warhurst

### Officers:

Peter Carpenter, Sue Hanley and Michelle Howell

### Principal Democratic Services Officer:

Jess Bayley-Hill

### 101. APOLOGIES

An apology for absence was received on behalf of Councillor Anthony Lovell.

### 102. DECLARATIONS OF INTEREST

There were no declarations of interest.

### 103. LEADER'S ANNOUNCEMENTS

The Leader advised that, with respect to Minute Item No. 105 - the Council Response to the Birmingham Local Plan Issues and Options Consultation – that the reforms to the planning system, published just before Christmas 2022, had created an element of uncertainty for the planning profession. As a result, a decision had been taken to defer the report, which concerned the local plan and duty to cooperate responses. The documents would be reconsidered at an appropriate later date.

### 104. MINUTES

#### RESOLVED that

**the minutes of the meeting of the Executive Committee held on 13<sup>th</sup> December 2022 be approved as a true and correct record and signed by the Chair.**

Chair

# Executive Committee

Tuesday, 10th January, 2023

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## 105. COUNCIL RESPONSE TO THE BIRMINGHAM LOCAL PLAN ISSUES AND OPTIONS CONSULTATION

Members noted that, as detailed during consideration of the Leader's Announcements, this item had been postponed.

## 106. COUNCIL TAX BASE 2023/24

The Interim Section 151 Officer presented the Council Tax Base report for Members' consideration.

The Committee was advised that the Council Tax Base item was a statutory report. The information provided in the report helped to inform precepting authorities about the amount of income from Council Tax that they could expect to receive during the following financial year. The figures provided in the report had been based on data as of 30<sup>th</sup> November 2022 for the Borough. The figures also assumed a 98 per cent collection rate, which was standard for Redditch Borough. Members were asked to note that some Councils assumed a 99 per cent collection rate but if the same approach was applied in Redditch, there was a risk that the Council would not collect the extra 1 per cent in income creating an additional pressure on the budget.

Members were advised that only 40 new homes, valued at Council Tax Band D equivalent, had been developed in the previous year adding to the Council Base. This was a relatively low figure.

### RECOMMENDED that

- 1) the calculation of the Council's Tax Base for the whole and parts of the area for 2023/24, be approved; and
- 2) in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992, the figures calculated by the Redditch Borough Council as its tax base for the whole area for the year 2023/24 be 26,304.94 and for the parts of the area listed below be:

Parish of Feckenham	375.79
Rest of Redditch	25,929.15
<b>Total for Borough</b>	<b>26,304.94</b>

## 107. FINAL COUNCIL TAX SUPPORT SCHEME 2023/24

The Interim Section 151 Officer presented the Final Council Tax Support Scheme for the Committee's consideration.

# Executive Committee

Tuesday, 10th January, 2023

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Members were informed that the draft Council Tax Support Scheme had been subject to consultation in October 2022. There had been a total of 94 responses received during the consultation, of which 87 per cent had been in favour of the proposed changes overall to the Council Tax Support Scheme. These changes would result in an additional cost of £141,000, although this figure would be divided between the precepting authorities and the actual cost to Redditch Borough Council would be closer to £13,000.

All of the precepting authorities had been consulted on the proposed changes to the scheme. In the response received from Worcestershire County Council, it had been clarified that that Council was not particularly in favour of the proposed changes. Officers had responded by highlighting that, if no changes were made, it was likely that the level of Council Tax that could not be collected would increase resulting in a loss of income anyway. The Committee was asked to note that whilst all of the Councils in north Worcestershire were proposing changes to their Council Tax Support Schemes, which would increase support available to their most vulnerable residents, no changes had been proposed to the Council Tax Support Schemes in place for the District Councils in the south of the county. However, no Councils in the county were proposing to reduce the Council Tax support they provided to eligible residents.

Following the presentation of the report, Members discussed the process that had been followed in respect of the consultation and questions were raised about how the Council ensured that people did not respond multiple times, thereby skewing the figures. Officers clarified that an external company undertook this consultation on behalf of the Council as well as many other authorities in the country and were therefore experienced at managing consultation processes. The Committee was informed that further information would be requested about how the company managed this risk.

## **RECOMMENDED that**

- 1) the Council is asked to approve the introduction of a revised and more supportive Council Tax Reduction scheme for working age applicants with effect from 1<sup>st</sup> April 2023 in line with 1.2 below;**

## **and RESOLVED to note that**

- 2) the scheme is designed to assist the lowest income households and to allow the Council to operate the scheme more flexibly by:**

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

#### **108. FINANCIAL OUTTURN REPORT 2020/21**

The Interim Section 151 Officer presented the Financial Outturn Report 2020/21.

The Committee was informed that an underspend of £291,000 was anticipated for the end of the 2020/21 financial year. This was mainly due to the impact of the Covid-19 pandemic on expenditure and project delivery. The Council had received in excess of £1 million in Covid grant funding during the financial year in a number of different tranches. This had helped to achieve a balanced position, although there had been pressures arising from the pay award to staff. Earmarked reserves had increased to £11.4 million, which was higher than had originally been anticipated, mainly due to the impact of the Covid pandemic. An additional £5.8 million had also been carried forward in the capital programme. The Council's Corporate Management Team (CMT) was reviewing both the earmarked reserves and the capital programme to ensure that these were rationalised as part of the 2023/4 budget process.

In the Housing Revenue Account (HRA) there had been an underspend of £1.9 million and in addition, the HRA capital programme had been underspent by £7 million. Again, the underspends had generally occurred due to the impact of Covid-19 on project delivery.

Following the presentation of the report, Members commented that Covid-19 had had a major impact on expenditure during the 2020/21 financial year. Whilst it was acknowledged that this was



unavoidable, Members commented that it was important to ensure that Council staff did not assume that this represented a standard pattern of expenditure, as the situation by 2022/23 had changed significantly and inflation was placing a lot of pressure on the costs of service delivery. Officers clarified that the report related to the 2020/21 financial year. CMT was ensuring that current expenditure was managed carefully and the reprofiling of earmarked reserves had already resulted in the allocation of funding to help support an anticipated increase in the cost of utilities services for the Council moving forward.

**RESOLVED that**

- 1) the revenue outturn position, which was reported as an underspent of £373,954.05 is corrected to a position of an underspend of £290,309;**
- 2) the final C-19 Grant position is £580,000 at 31<sup>st</sup> March;**
- 3) the final level of General Fund and Earmarked Reserves are £1,889k and £11,473k respectively; and**
- 4) the final capital position for the year is a £0.266m underspend against approved budget.**

**109. HOUSING REVENUE ACCOUNT RENT SETTING 2023/24**

The Interim Section 151 Officer presented the Housing Revenue Account (HRA) Rent Setting 2023/24 report for Members' consideration.

The Committee was informed that traditionally yearly increases to rent for Council houses had been set in accordance with the Consumer Price Index (CPI) plus 1 per cent. However, given the current high level of inflation, the Government had announced that Councils and Housing Associations could increase rent by 3, 5 or 7 per cent.

Members were asked to note that the rent for Council housing would be set in a context where inflation as well as the pay award to staff were both having a significant impact on the Council's costs. There were also likely to be increasing costs arising from new duties placed on housing providers in respect of the management of damp and mould in properties, alongside other compliance issues. To try to minimise the impact on the financial position of the authority, Officers were suggesting that rents should increase by 7 per cent per year over the following two years.

The proposals detailed in the report were subsequently discussed by Members and it was noted that even with a 7 per cent increase in rents, Council tenants would still be paying some of the lowest rents for housing in the Borough. There was a lot of work that the Council's Repairs and Maintenance team needed to undertake on properties and there needed to be the funding available to help pay for repairs, some of which were vital to ensure that homes continued to comply with safety standards.

Reference was made to the tenants who would be paying rent for properties. Members noted that tenants in receipt of benefits could receive funding to help cover this rent increase as per the Chancellor's Statement. Tenants in employment, who might already be struggling with the cost of living, were not necessarily eligible to receive this support and concerns were raised about the impact that increases to rents might have on people in this position. Officers explained that when the Council sent information about new Council Tax rates in the spring to residents, information would be included about support available to help manage the cost of living.

**RECOMMENDED that**

**the actual average rent increase for 2023/24 be set as 7%.**

**110. MEDIUM TERM FINANCIAL PLAN 2023/24 TO 2025/25 - UPDATE**

The Interim Section 151 Officer presented an update on the Medium Term Financial Plan (MTFP) 2023/24 to 2025/26.

Members were advised that the Council had received confirmation from the Government about the Local Government settlement for the authority on 19<sup>th</sup> December 2022. The funding allocated included contributions from the New Homes Bonus (NHB) and from the lower tier authority grant. A net total contribution of £468,000 had been allocated to the Council.

The Government had confirmed that District Councils could increase Council Tax by 2.99 per cent, rather than the limit of 1.99 per cent that had previously been in place before triggering a local referendum. Should the Council opt to increase Council Tax by 2.99 per cent in 2023/24, this would result in the authority receiving an additional £69,000 income.

In reviewing the budget position for the Council, Officers had taken into account the impact of the pay award, which had been provided to staff in December 2022 and had created an additional pressure. However, the actuarial figures for the local government pension

scheme had improved for the Council and this was having a positive impact on the budget moving forward.

The Capital Programme was in the process of being reviewed. Officers were keen to ensure that expenditure in the capital programme focused on areas for which the Council received grant funding from the Government and other external sources. In particular, the Council had received a significant amount of grant funding for town centre regeneration, levelling up and in the UK Shared Prosperity Fund (UKSPF) and this funding needed to be spent within tight timescales. Other funding included in the capital programme would include that which was derived from Section 106 agreements for specific projects.

Staffing remained a key area of focus for the authority moving forward. The Council remained committed to employing apprentices and opportunities for apprenticeships could be explored further. Staff retention was also considered to be an important priority, and many Councils were struggling to recruit and retain staff, particularly in the West Midlands. The pay award to staff had previously only been calculated for one year but it was important to acknowledge that further awards could be made in subsequent years of the MTFP period. Therefore, Officers were proposing that pay increases should be factored into the budget for each year of the MTFP.

There was a risk that Council reserves could fall below £1.4 million in 2023/24. This situation was not considered to be ideal and the Interim Section 151 Officer advised that it would be preferable to achieve a situation whereby reserves were valued at in excess of £2 million.

Following the presentation of the report, Members discussed the information that had been provided. Reference was made to the figures that had been included in respect of staff redundancies and Members questioned why, at a time when the Council was struggling to recruit and retain staff, some employees were being made redundant. Officers explained that opportunities were frequently made available for staff to apply for Voluntary Compulsory Redundancy (VCR) and all such requests were assessed on a case-by-case basis. Redundancies which were always limited wherever possible, could result where service reviews had been undertaken. In relation to staff redundancies, Members were also asked to note that the Government had recently changed the rules so that staff redundancy costs could no longer be covered using capital funds and this was now being recorded in a different way to previous years. There was a need to retain existing staff as well as to recruit new staff. A particular challenge for Redditch Borough Council was that the average age

profile of staff was 49 and there was a need to plan for the future to ensure service sustainability.

**RESOLVED that**

**Officers continue to work on additional options now the “real gap” for the 2023/24 budget is known, as outlined in the Strategy section of the Tranche 1 Report for presentation to the Executive Committee in February 2023 as Tranche 2 of the Budget.**

**111. WORCESTERSHIRE REGULATORY SERVICES BUDGET 2023/24 - RECOMMENDATIONS**

The Interim Section 151 Officer presented recommendations concerning the budget for Worcestershire Regulatory Services (WRS) for 2023/24.

Members were advised that the service’s budget had been discussed at a meeting of the WRS Board held on 17<sup>th</sup> November 2022. During the Board meeting, Members had considered the financial pressures that were impacting on WRS, which included the impact of inflation and the recent pay award to staff. Based on the figures provided, it was proposed that Redditch Borough Council should contribute 17.4 per cent of the costs towards the service. Partner authorities would cover the rest of the costs of delivering the shared service.

The Committee considered the content of the report and in doing so questioned whether funding for some of the services that were delivered by WRS could be suspended on a temporary basis whilst the Council was working to address additional costs caused by the increase in inflation. Officers explained that, theoretically, the Council could temporarily suspend most services, although careful consideration needed to be given to the consequences of this type of action. Members also commented that WRS delivered good quality services that represented value for money.

Consideration was given to the fees that could be charged for delivering pest control services. Members commented that these services were available for free to Council tenants. However, in some cases it was suggested that pest control services might be needed as a consequence of actions that had been taken by the tenant and in those circumstances, Members questioned whether it would be possible for the Council to charge those tenants for use of the service.

Reference was also made to the contribution from Redditch Borough Council and why this was higher than the financial

contribution from some of the other partner organisations. Members were advised that the contributions took into account matters such as urban deprivation. It was also understood that Redditch Borough Council received more in terms of service delivery than other authorities. Further information, including from measures monitored by WRS, would potentially help Members to assess the reasons for this higher contribution and it was agreed that WRS should be asked to provide this data.

**RECOMMENDED that**

- 1) **WRS contributions are increased by £22,668 in 2022/23 due to the national pay award of £1,925 per pay point and increases in hosting costs due to the “cost of living” crisis; and**
- 2) **WRS Budget contributions are increased to £648,000 in 2023/24 to take account of pay awards and the impact of the “cost of living crisis.**

**112. QUARTERLY RISK UPDATE**

The Interim Section 151 Officer presented the Quarterly Risk Update for Members’ consideration.

The Committee was reminded that the Internal Audit team had concluded in March 2022 that there was no assurance in a review of the Council’s risk management arrangements. Since that time, an officer group had been established to manage Council risks and each department was represented at meetings of this group. CMT had also reviewed risks and had a meeting each month which focused on risk assurance.

Initially there had been in excess of 100 departmental risks identified for the Council. However, these had been reviewed on a number of occasions and there were 63 departmental risks by the date of the meeting. It was likely that this would increase to incorporate risks in relation to damp and mould in properties but the lead department for this subject still remained to be confirmed.

During consideration of this item, Members commented on the potential risks arising from staff working from home, particularly in relation to new staff receiving induction and training. It was raised that staff would benefit from meeting with managers and other staff in person and to shadow colleagues in the workplace. Officers acknowledged that this was important and noted that the Council was aiming to address this through the Agile Working Policy and performance management arrangements.

**RESOLVED that**

**the report be noted.**

**113. OVERVIEW AND SCRUTINY COMMITTEE**

The Chair advised that at the meeting of the Overview and Scrutiny Committee held on 1<sup>st</sup> December 2022 Members had discussed the Council's work to address the cost of living. At the end of a detailed discussion in respect of this matter, the Committee had agreed the following recommendation on this subject:

“Recommended that the Executive Committee actively seek external grant funding to enable a borough-wide campaign to subsidise the insulation of poorly insulated dwellings in the private sector.”

Members discussed this recommendation and in so doing commented that the Council had applied on a number of occasions in the past for grant funding, where this became available. Officers were actively encouraged to search for and apply for additional sources of grant funding as and when this became available and where the Council was eligible to apply for funding. In addition, Members noted that it was important to ensure that grant funding continued to be requested to help improve the insulation not just for properties in the private rented sector but also for social housing in the Borough. There had already been some work undertaken to improve the insulation and damp proofing of some Council properties but Members acknowledged that further improvements would always be welcomed. In this context, Members agreed to amend the wording of the recommendation to acknowledge the fact that the Council would be continuing to apply for grant funding and this would be intended to help properties across the Borough, not just in the private rented sector.

**RESOLVED that**

**the Executive Committee continue to actively seek external grant funding to enable a Borough-wide campaign to subsidise the insulation of poorly insulated dwellings across the Borough.**

**114. MINUTES / REFERRALS - OVERVIEW AND SCRUTINY COMMITTEE, EXECUTIVE PANELS ETC.**

There were no referrals from either the Overview and Scrutiny Committee or any of the Executive Advisory Panels on this occasion.

**115. ADVISORY PANELS - UPDATE REPORT**

The following updates were provided in respect of the Executive Advisory Panels and other bodies:

- a) Climate Change Cross Party Working Group – Chair, Councillor Anthony Lovell

Members noted that there had been a meeting of the Climate Change Cross Party Working Group since the previous meeting of the Executive Committee. In the absence of the Chair of the group, Members agreed that an update in respect of this meeting should be considered at the following meeting of the Committee.

- b) Constitutional Review Working Party – Chair, Councillor Matthew Dormer

Councillor Dormer confirmed that a meeting of the Constitutional Review Working Party was scheduled to take place on 23<sup>rd</sup> January 2023.

- c) Corporate Parenting Board – Council Representative, Councillor Nyear Nazir

Councillor Nazir explained that she had been unable to attend the previous two meetings of the Board. However, she was due to attend the following meeting of the Board, which was scheduled to take place later in January 2023.

- d) Member Support Steering Group – Chair, Councillor Matthew Dormer

The Committee was informed that a meeting of the Member Support Steering Group was due to take place on 17<sup>th</sup> January 2023.

- e) Planning Advisory Panel – Chair, Councillor Matthew Dormer

Councillor Dormer advised that a meeting of the Planning Advisory Panel (PAP) had taken place on 4<sup>th</sup> January 2023. During this meeting, Members had considered updates on various planning policy matters. Further meetings of PAP were due to take place in the year and all Members were encouraged to attend these meetings.

**Executive**  
Committee

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Tuesday, 10th January, 2023

The Meeting commenced at 6.31 pm  
and closed at 7.25 pm



**EXECUTIVE****7<sup>th</sup> February 2023****Homelessness Prevention Grant Allocation for 2023/24**

Relevant Portfolio Holder	Councillor Craig Warhurst
Portfolio Holder Consulted	Yes
Relevant Head of Service	Judith Willis, Head of Communities and Housing Services
Report Author	Job Title: Amanda Delahunty Contact email:a.delahunty@bromsgroveandredditch.gov.uk Contact Tel: 01527 881269
Wards Affected	All
Ward Councillor(s) consulted	Not Applicable
Relevant Strategic Purpose(s)	<ul style="list-style-type: none"> <li>• Finding somewhere to live</li> <li>• Aspiration, work and financial independence</li> <li>• Living independent, active and healthy lives</li> <li>• Communities which are safe, well maintained and green.</li> </ul>
Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

**1. RECOMMENDATIONS**

The Executive RESOLVE as follows:-

- 1.1 That the initiatives in 3.4 be approved to receive allocation of funding 2023/24.
- 1.2 That delegated authority be granted to the Head of Community and Housing Services following consultation with the Portfolio Holder for Strategic Housing to use any unallocated Grant during the year or make further adjustments as necessary to ensure full utilisation of the Grants for 2023/24 in support of existing or new schemes.

**2. BACKGROUND**

- 2.1 This report seeks Members' approval to award the DLUHC Homelessness Prevention Grant to specific schemes recommended by the Strategic Housing Manager. Additionally, it seeks to delegate authority to the Head of Community and Housing Services, in consultation with the Portfolio Holder for Housing, to allocate any

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underspend of grant during 2023/24 on schemes to prevent homelessness and assist those who actually become homeless.

- 2.2 The purpose of the ringfenced Homelessness Prevention Grant fund is to give local authorities control and flexibility in managing homelessness pressures and supporting those who are at risk of homelessness. The Government expects local authorities to use it to deliver the following priorities:
- To fully enforce the Homelessness Reduction Act and contribute to ending rough sleeping by increasing activity to prevent single homelessness
  - Reduce family temporary accommodation numbers through maximising family homelessness prevention
  - Eliminate the use of unsuitable bed and breakfast accommodation for families for longer than the statutory six week limit.
- 2.3 The council received a number of applications for this funding and this criteria was used to support the award of this grant.

**Financial Implications**

- 3.1 The Council has been awarded £325,375 Homelessness Prevention Grant 2023/24 which is ring fenced by the Department for Levelling Up, Housing and Communities (DLUHC) for the prevention of homelessness. The Temporary Accommodation Management Fund (TAMF) previously received through the DWP has been amalgamated into this grant.
- 3.2 The amount the Council would have ordinarily expected from the former Temporary Accommodation Management Fund is £66,380.
- 3.3 The Council expects the funding for Homelessness Prevention in 2023/24, as follows:

<b>Grant</b>	<b>2023/24</b>
Homelessness Prevention Grant	£325,375
Underspend from 2022/23	£35,000
<b>Total Grant Available</b>	<b>£360,375</b>

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## 3.4 Proposed Allocation of Homelessness Prevention Grant.

<b>Initiatives</b>	<b>£ (up to)</b>
Redditch Nightstop - Outreach Worker to support 21 to 35 year olds and prevent homelessness or work towards planned moves into suitable and sustainable accommodation.	17,769
Redditch Nightstop Core Funding	8,667
Redditch Nightstop Safe Accommodation and Support	20,000
CCP Rough Sleeper Outreach Service	47,556
GreenSquare Accord – 18 units of supported accommodation for Ex Offenders or those likely to offend	16,049
St Basils – Provide 24 hour cover to 23 units of accommodation for young people aged 16- 23 years	14,910
Newstarts - Furniture Project to provide furniture for homeless households.	10,000
Homelessness Prevention - Spend to Save budget for use by Housing Options Officers	17,060
Temporary Accommodation Management – as 3.1 above	66,380
St Basils Smallwood Almshouses - Progression Coach to offer additional support that can operate outside of normal office hours to fit around a young persons education, training and employment.	19,287
Citizens Advice Debt Advice	16,333
St Basils Young Persons Pathway Worker	18,195
St Basils Crash Pad emergency accommodation	35,086
County Partnership Manager	8,300

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Batchley Support Group	10,000
Single and Childless Couples Homeless Prevention Service	33,460
Total	£359,052

- 3.5 These are voluntary organisations and without this funding it is unlikely this support would be offered or available which in turn would lead to increase direct revenue costs for the council.

**4. LEGAL IMPLICATIONS**

- 4.1 The Council has statutory duty under the Housing Act 1996 (as amended) to assist those who are threatened with homelessness or experiencing actual homelessness and has placed additional duties on the Council regarding preventing and relieving homelessness
- 4.2 The Homelessness Prevention Grant has been ring fenced to homelessness prevention and tackling homelessness by the Department of Levelling Up, Housing and Communities.

**5. STRATEGIC PURPOSES - IMPLICATIONS****Relevant Strategic Purpose**

- 5.1 Homelessness Prevention Grant allows the Council to support a range of holistic services to help prevent or tackle homelessness and rough sleeping in the District. The combination of practical support such as furniture compliment those services that provide outreach support to help clients access accommodation, sustain tenancies, manage budgets, engage in positive activities and access employment. The breadth of services available support all of the strategic purposes provide opportunities for:

- Finding somewhere to live
- Aspiration, work and financial independence
- Living independent, active and healthy lives
- Communities with are safe, well maintained and green

**Climate Change Implications**

- 5.2 The recycling of furniture supports the Council's green thread as it minimises waste and provides reuse and recycling of household items wherever possible.

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**6. OTHER IMPLICATIONS****Equalities and Diversity Implications**

- 6.1 The Homelessness Grant and Homelessness Prevention Grant will benefit customers by offering household's more options to prevent their homelessness, support them to remain in their own homes or help the Council to manage and support households in Temporary Accommodation.
- 6.3 The grant will also benefit the larger community as opportunities to prevent homelessness will be maximised.

**Operational Implications**

- 6.4 The management and administration of grant forms a significant part of the Strategic Housing Team's day to day operations.

**7. RISK MANAGEMENT**

- 7.1 If the recommended schemes are not approved there is a risk that more households who are threatened with homelessness, or who are in housing need, will have limited alternative options. There is also therefore the risk that they may have to make a homeless approach and this could consequently lead to the following negative outcomes:

- Increased B&B costs with 80% having to be picked up by the local authority.
- Increased rough sleeping in the Borough
- Impacts on physical and mental health, educational achievement, ability to work and similar through increased homelessness

- 7.3 All recipients of Grant will enter into a grant agreement and have regular monitoring with officers on the delivery of the service

**8. APPENDICES and BACKGROUND PAPERS**

None.

**9. REPORT SIGN OFF**

Department	Name and Job Title	Date
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REDDITCH BOROUGH COUNCIL**EXECUTIVE****7<sup>th</sup> February 2023**

Portfolio Holder	Councillor Craig Warhurst	10/1/2023
Lead Director / Head of Service	Judith Willis Head of Communities and Housing Service	10/1/2023
Financial Services	Peter Carpenter, Interim Deputy Section 151 Officer	10/1/2023
Legal Services	Claire Felton Head of Legal, Democratic and Property Services	10/1/2023
Policy Team (if equalities implications apply)	Not applicable	
Climate Change Officer (if climate change implications apply)	Matt Bough, Strategic Housing Manager	10/1/2023

REDDITCH BOROUGH COUNCIL**EXECUTIVE COMMITTEE**

7 February

2023

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

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

**1. RECOMMENDATIONS**

**The Committee is asked to consider the report and recommendations and RECOMMEND to Council**

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

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

**2. BACKGROUND**

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

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

**3. FINANCIAL IMPLICATIONS**

- 3.1 If the Council makes changes to the current amounts of allowances there may be additional savings or costs. If the Council implements all the recommendations of the IRP, using IRP scheme, costs would be decreased in the region of £2,100. It should be noted that the scheme recommended by the IRP only allows for one SRA per Councillor and does not include a payment for Executive Members without Portfolio. If the Council implements the recommendations of the IRP and includes additional SRAs and Executive Members without Portfolio the costs will rise by approximately £10,500.
- 3.2 The upcoming budget will need to reflect any changes made from the recommendations in this report and the future costs will need to be covered in the medium term financial plan.

**4. LEGAL IMPLICATIONS**

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

**5. STRATEGIC PURPOSES - IMPLICATIONS****Relevant Strategic Purpose**

- 5.1 None as this report deals with statutory functions.

**Climate Change Implications**

- 5.2 None in this report.

**6. OTHER IMPLICATIONS****Equalities and Diversity Implications**

- 6.1 None in this report.



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**Operational Implications**

- 6.2 There are no direct service or operational implications arising from this report. Once the Council has agreed the allowances for 2023-24 Officers will update and publish the Members' Allowances Scheme as appropriate.

**7. RISK MANAGEMENT**

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

**8. APPENDICES and BACKGROUND PAPERS**

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

Background papers:

Members Allowances Scheme – in the Council Constitution at part 18:

[Members' Scheme of Allowances - Redditch constitution](#)

**EXECUTIVE COMMITTEE**  
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**9. REPORT SIGN OFF**

<b>Department</b>	<b>Name and Job Title</b>	<b>Date</b>
Portfolio Holder		
Lead Director / Head of Service	Claire Felton Head of Legal, Democratic and Property Services	18 Jan 2023
Financial Services	Victoria Swashorme Finance Services Manager	13 Jan 2023
Legal Services		

**Independent Remuneration Panel  
for Worcestershire District Councils**

**Annual Report and Recommendations for 2023-24**

**Redditch Borough Council**

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**December 2022**

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**Recommendations**

**The Independent Remuneration Panel recommends to Redditch Borough Council the following:**

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

### **Introduction and Context**

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

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

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

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

### **Background Evidence and Research Undertaken**

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

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

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

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

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

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

The figure being recommended by the Panel of £5,081 for the Basic Allowance appears reasonable and appropriate when compared to other Local Authorities. The mean average Basic Allowance for the "nearest neighbour" authorities is £6,040. We feel it is important not to allow this gap to widen.

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

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

<b>Authority, population<sup>1</sup> and number of Councillors</b>	<b>Total spend Basic Allowances</b>	<b>Total spend on SRA</b>	<b>SRA as a percentage of total Basic Allowance</b>	<b>Cost of total basic and SRA per head of population</b>	<b>Total of basic and SRA as a percentage of Net General Revenue Fund expenditure</b>
	<b>£</b>	<b>£</b>	<b>%</b>	<b>£</b>	<b>%</b>
Bromsgrove DC (31) 100,569	145,754	72,538	49.77%	£2.17	Not available
Malvern Hills DC (38) 79,445	172,810	69,350	40%	£3.05	2.9%
Redditch Borough (29) 85,568	127,875	94,770	74.11%	£2.60	Not available
Worcester City (35) 100,265	156,304.52	94,696.21	60.58%	£2.50	1.43%
Wychavon (45) 131,084	207,425	93,121	44.89%	£2.29	2.77%

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

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

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

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

**Basic Allowance 2023 -24****Calculation of Basic Allowance**

The Basic Allowance is based on:

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

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

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

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

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



### **Special Responsibility Allowances (SRA) 2023-24**

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

### **Mileage and Expenses 2023-24**

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

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

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

### **Allowances to Parish Councils 2023-24**

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

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

### **The Independent Remuneration Panel**

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

The members of the Panel are:

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

**Matthew Davies** – Matthew qualified as a Social Worker in 2008 and subsequently worked with children and young people in Worcestershire, Jersey and Manchester. Latterly he is employed as a Registered Manager of an independent fostering agency,

supporting and supervising approved foster carers to care for children and young people in care.

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

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

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

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

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

The Panel has been advised and assisted by:

- Claire Chaplin and Margaret Johnson from Worcester City Council
- Darren Whitney from Bromsgrove & Redditch Councils

- Mel Harris from Wychavon District Council
- Lisa Perks from Malvern Hills District Council

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

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

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

## Appendix 1

**Independent Remuneration Panel for District Councils in Worcestershire  
Recommendations for 2023/24**

**Redditch Borough Council**

<b>Role</b>	<b>Rec'd Multiplier 2022-23 (IRP)</b>	<b>Current Multiplier (Council Agreed)</b>	<b>Rec'd Allowance 2022-23 (IRP) £</b>	<b>Current Allowance 2022-23 (Council Agreed) £</b>	<b>Rec'd Multiplier 2023-24 (IRP)</b>	<b>Rec'd Allowance 2023-24 (IRP) £</b>
Basic Allowance for all Councillors	1	1	4,732	4,732	1	5,081
Special Responsibility Allowances:						
Leader	3	3	14,196	14,196 plus 7,098 as portfolio holder	3	15,243
Deputy Leader	1.75	1.75	8,281	8,281 plus 4,732 as Exec Member without portfolio	1.75	8,891.75
Executive Members (Portfolio Holders)	1.5	1.5	7,098	7,098	1.5	7,621.50
Executive Members without portfolio	****	1	****	4,732	****	****
Chair of Overview and Scrutiny Committee	1.5	1.5	7,098	7,098	1.5	7,621.50
Chair of Overview and Scrutiny Task Groups	0.25	0.25	1,183	1,183	0.25	1,270.25
Chair of Audit, Governance and Standards Committee	0.25	0.25	1,183	1,183	0.25	1,270.25

Chair of Planning Committee	1	1	4,732	4,732	1	5,081
Chair of Licensing Committee	0.75	0.75	3,549	3,549	0.75	3,810.75
Political Group Leaders	0.25	0.25	1,183	1,183	0.25	1,270.25

## Appendix 2

### Summary of Research

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

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

- Tamworth Borough Council
- Gloucester City Council
- Stevenage Borough Council
- Worcester City Council
- Cannock Chase District Council

Information on the level of Basic and Special Responsibility Allowances was obtained to benchmark the levels of allowances recommended to the Council. The average basic award across all the "nearest neighbour" authorities was £6,040 as at December 2022.

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

<https://www.nomisweb.co.uk/reports/lmp/la/contents.aspx>

<https://www.nomisweb.co.uk/query/construct/summary.asp?reset=yes&mode=construct&dataset=30&version=0&anal=1&initset=>

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

CPI (Consumer Price Inflation)

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

Local Government Pay Award

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

**REDDITCH BOROUGH COUNCIL****Executive**7<sup>th</sup> February 2023**Workforce Strategy**

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

**1. RECOMMENDATIONS:-**

**The Committee is asked to RECOMMEND to Council that the Pay Policy as detailed in Appendix 1 to the report be approved.**

**2. BACKGROUND**

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

The Statement must set out policies relating to-

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

**Executive**7<sup>th</sup> February 2023

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

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

**3. OPERATIONAL ISSUES**

There are no implications in relation to this report

**4. FINANCIAL IMPLICATIONS**

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

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

**5. LEGAL IMPLICATIONS**

As detailed in the background section

**6. OTHER - IMPLICATIONS****Relevant Strategic Purpose**

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

**Climate Change Implications**

- 6.2 N/A

**Equalities and Diversity Implications**

There are no implications in relation to this report

**7. RISK MANAGEMENT**

- 7.1 N/A



**Executive**7<sup>th</sup> February 2023**8. APPENDICES and BACKGROUND PAPERS**

Appendix one: Pay Policy 2022/23

**9. REPORT SIGN OFF**

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

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**APPENDIX 1****REDDITCH BOROUGH COUNCIL  
PAY POLICY STATEMENT****Introduction and Purpose**

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

**Legislative Framework**

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

**Pay Structure**

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

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

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

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

### **Senior Management Remuneration**

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

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

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

### **Recruitment of Chief Officers**

14. The Council's policy and procedures with regard to recruitment of chief officers is set out within the Officer Employment Procedure Rules as set out in the Council's Constitution. When recruiting to all posts the Council will take full and proper account of its own equal opportunities, recruitment and redeployment Policies. The determination of the remuneration to be offered to any newly appointed chief officer will be in accordance with the pay structure and relevant policies in place at the time of recruitment. Where the Council is unable to recruit to a post at the designated grade, it will consider the use of temporary market forces supplements in accordance with its relevant policies.
15. Where the Council remains unable to recruit chief officers under a contract of service, or there is a need for interim support to provide cover for a vacant substantive chief officer post, the Council will, where necessary, consider and utilise engaging individuals under 'contracts for service'. These will be sourced through a relevant procurement process ensuring the council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service. The Council does not currently have any Chief Officers under such arrangements.

### **Performance-Related Pay and Bonuses – Chief Officers**

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

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

17. In addition to the basic salary for the post, all staff may be eligible for other payments under the Council's existing policies. Some of these payments are

chargeable to UK Income Tax and do not solely constitute reimbursement of expenses incurred in the fulfilment of duties. The list below shows some of the kinds of payments made.

- a. reimbursement of mileage. At the time of preparation of this statement, the Council pays an allowance of 45p per mile for all staff, with additional or alternative payments for carrying passengers or using a bicycle;
- b. professional fees. The Council pays for or reimburses the cost of one practicing certificate fee or membership of a professional organisation provided it is relevant to the post that an employee occupies within the Council.
- c. long service awards. The Council pays staff an additional amount if they have completed 25 years of service and having completed 40 years service.
- d. honoraria, in accordance with the Council's policy on salary and grading. Generally, these may be paid only where a member of staff has performed a role at a higher grade;
- e. fees for returning officer and other electoral duties, such as acting as a presiding officer of a polling station. These are fees which are identified and paid separately for local government elections, elections to the UK Parliament and EU Parliament and other electoral processes such as referenda;
- f. pay protection – where a member of staff is placed in a new post and the grade is below that of their previous post, for example as a result of a restructuring, pay protection at the level of their previous post is paid for the first 12 months. In exceptional circumstance pay protection can be applied for greater than 12 months with the prior approval of the Chief Executive.
- g. market forces supplements in addition to basic salary where identified and paid separately;
- h. salary supplements or additional payments for undertaking additional responsibilities such as shared service provision with another local authority or in respect of joint bodies, where identified and paid separately;
- i. attendance allowances.

### **Payments on Termination**

18. The Council's approach to discretionary payments on termination of employment of chief officers prior to reaching normal retirement age is set out within its policy statement in accordance with Regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 and Regulations 12 and 13 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007.
19. Any other payments falling outside the provisions or the relevant periods of contractual notice shall be subject to a formal decision made by the full Council or relevant elected members, committee or panel of elected members with delegated authority to approve such payments.
20. Redundancy payments are based upon an employee's actual weekly salary and, in accordance with the Employee Relations Act 1996, will be up to 30 weeks, depending upon length of service and age.



**Publication**

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

**Lowest Paid Employees**

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

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

### **Accountability and Decision Making**

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

**REDDITCH BOROUGH COUNCIL****EXECUTIVE COMMITTEE**7<sup>th</sup> February 2023**MEDIUM TERM FINANCIAL PLAN 2023/4 TO 2025/6**

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

**1. SUMMARY OF PROPOSALS**

- 1.1 The Council has set its budget in two Tranches this year. The initial Tranche was published on the 17<sup>th</sup> October this contained £1.5m of savings against a carried forward deficit of £0.9m. This was presented to Council for approval on the 30<sup>th</sup> January. This report finalises the overall budget, building on data that was presented to Executive following the Provisional Local Government Settlement on the 10<sup>th</sup> January.

**2. RECOMMENDATIONS****Executive are asked to Recommend to Council:**

- 1 The tranche 2 growth proposals.
- 2 The additional funding to the Council as per the Local Government Settlement on the 19<sup>th</sup> December 2022, including the estimated levels for 2024/5 and 2025/6.
- 3 The tranche 2 savings proposals, including an Increase of Council Tax at 2.99%.
- 4 The Capital Programme 2023/4 to 2025/6 and associated projects where outstanding budgets will be allowed to be carried forward at the end of the 2022/23 financial year.
- 5 The levels of reserve being carried forward into future years.
- 6 The level of General Fund balances being used to balance budgets over the Medium-Term Financial Plan (MTFP) period.

**REDDITCH BOROUGH COUNCIL****EXECUTIVE COMMITTEE**7<sup>th</sup> February 2023**Executive note**

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

**3. Background****Introduction**

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

- Starting the process with an initial deficit amount from the 2022/23 MTFP.
- This being the first year that the Government starts to pay for the C-19.
- The present cost of living crisis, including levels of inflation and interest rate not seen since the start of this century.
- A change of Prime Minister and Cabinet.
- Limited Reserves and balances.

**Tranche 1 Proposals**

- 3.2 The Tranche 1 Report was discussed on the 25<sup>th</sup> October and approved for implementation by the Executive on the 6<sup>th</sup> December. In that report, the Interim Director of Finance noted in his draft robustness statement set out that the MTFP highlights that the current financial position is untenable without some form of intervention. We now know, following the Provisional Local Government Settlement that following the work undertaken in Tranche 1 that a £0.286m gap still remains in 2023/24 to be mitigated.
- 3.3 It is important, for planning purposes that those initial savings proposals are approved by Council on the 30<sup>th</sup> January 2023 in order to achieve the maximum benefit in the 2023/24 financial year.
- 3.4 The table below sets out the position at the end of Tranche 1. As per previous discussions the largest issues are the inflationary increases that are impacting all Local Authorities.

**REDDITCH BOROUGH COUNCIL**

EXECUTIVE COMMITTEE

7<sup>th</sup> February 2023

<b>Redditch Position Statement</b>				
		<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Base Budget Position 22/23 MTFP</b>				
	Expenditure	10,290	10,428	10,661
	Funding	-9,341	-9,595	-9,621
	<b>Net</b>	<b>949</b>	<b>833</b>	<b>1,040</b>
<b>Revised Gap</b>				
		949	833	1,040
<b>Pressures</b>				
	50% Funding for Climate Change Officer	<b>30</b>	<b>30</b>	<b>30</b>
<b>Savings Options</b>				
	Environmental Services Partnership	0	-25	-50
	Service Reviews	-140	-330	-405
	Move to All Out Elections	0	0	-170
	Town Hall	0	0	-400
	Finance Vacancies	-100	-100	-100
	MRP	-100	-100	-100
	Pension Fund	-580	-580	-580
	Engage Capacity Grid (One Off) £14m De	-300	-300	0
	10% Increase in Fees and Charges	-339	-340	-342
	Council Tax Increase	0	-104	-104
	<b>Total Savings</b>	<b>-1,529</b>	<b>-1,849</b>	<b>-2,221</b>
<b>Revised Position</b>				
		<b>-580</b>	<b>-1,016</b>	<b>-1,181</b>
<b>Pressures</b>				
	Pay Pressure Year 1	928	928	928
	Pay Pressure Future Years (1%)	0	0	117
	Transport Pressure	21	21	21
	Contracts Pressures	230	235	240
	<b>Core Pressures</b>	<b>1,179</b>	<b>1,184</b>	<b>1,306</b>
<b>Updated Position</b>				
		<b>599</b>	<b>168</b>	<b>125</b>
	Utilities Inflation	1,140	1,140	1,140
<b>Final Draft Position</b>				
		<b>1,739</b>	<b>1,308</b>	<b>1,265</b>

- 3.5 The Council's Capital Programme must prioritise the spending of Towns Fund and UK Shared Prosperity Grant Funding – both of which have to be delivered by April 2026 and April 2025 respectively. Therefore, the new rationale in Tranche 1 was that for any scheme not yet started (unless grant or S106 funded) is that they must rebid for funds as part of the 2023/24 budget process.

### Assumptions

- 3.6 There are a number of key assumptions that underpin the budget. It is important that all Stakeholders understand these as the budget has been constructed in a period of high uncertainty, as set out in 3.1 above, and any one of these assumptions might change due to any number of external factors.
- 3.7 Tax Base underlying assumptions are as follows:

**REDDITCH BOROUGH COUNCIL****EXECUTIVE COMMITTEE**7<sup>th</sup> February 2023

- Council Tax – Figures assume the full 2.99% increase as now allowed by the Chancellors Statement, this can now increase, subject to approval, by another 1%.
  - We have reduced the Council Tax Base by £130k, in line with data in the Provisional Local Government Settlement.
  - Business Rates Increases – business rates assume all reliefs as per the Chancellors Statement. More work has been undertaken to validate the final business rates position, which is set out in 3.17 below, taking into account various S31 Grants and the effect of the Worcestershire and Herefordshire Pool. It is expected that this pool will continue into 2024/25.
- 3.8 Grant support assumptions are as follows (Revenue and Capital). It should be noted that these are budgeted figures and final grant figures will not be confirmed until the time of the final Local Government Settlement. The main Revenue Grants (still to be confirmed for 2023/4) are at 2022/3 levels:
- S31 Grant - £0.748m
  - Housing Benefit Administration Grant - £0.235m
  - Housing Benefit Grant - £18.5m
  - Discretionary Housing Payment - £0.136m
  - Revenue Cost of Collection Grant - £0.106m
  - Homelessness Grant - £0.163m
  - The Council has £15.2m of Towns Fund Grant to be spent by April 2026 which is match funded by £2.0m of Council funding.
  - The Council has £2.4m of UK Shared Prosperity Fund to spend by April 2025. This is both revenue and capital in nature.
- 3.9 Inflationary increases are significant due to factors already identified in previously. The following are the base assumptions.
- The Employers agreed a 2022/23 pay award of £1,925 per pay point plus on costs. This leads to an on-going pressure of £728k. This increase has been included in ongoing budgets. An assumption of 2% for future pay awards has also been built in for future years.
  - An assumption of General inflation increases of 10% was made in Tranche1 in relation to transport and contract budgets. Its impact on 2023/24 was transport budgets £21k and base contracts £230k. It is assumed that from 2024/25 inflation will move back to normal levels of 2%.
  - We have assumed utility increases of 200% which amount to a £1,140k ongoing pressure. Our existing Utility contracts requiring renewal by the end of this financial year, and we have seen increases in some areas of up to 400%.

REDDITCH BOROUGH COUNCIL

## EXECUTIVE COMMITTEE

7<sup>th</sup> February 2023**Tranche 2 of the Budget following the Provisional Local Government Settlement – Additional Revenues**

- 3.10 The Provisional Local Statement was announced on the 19 December. This announcement confirmed the following funding sources for the Council:
- The Provisional Local Government Settlement has the following effect
    - New Homes Bonus - £19k
    - Services Grant - £86k
    - Funding Guarantee - £493k
    - Reduction in Council Tax Base 130k pressure
- 3.11 The Provisional Local Government Settlement is only for 1 year. For planning purposes, the Council must take a medium-term view over three years. The net Government funding of £468k is in line with previous years equivalent grants. **Therefore, for planning purposes an assumption has been made that Grant levels will remain at the net level of £450k for the 2<sup>nd</sup> and 3<sup>rd</sup> years of the 3-year plan.** This will be adjusted once there is clarity on future years Settlement details.
- 3.12 The Chancellors Statement also allowed Council to increase Council tax from the present limit of 1.99% to 2.99%. This is worth an additional £69K to the Council.
- 3.13 With the receipt of the final Triennial Pension Fund Valuation from the Actuary there are addition savings, over and above the levels in Tranche 1. The projected contributions over the next 3 years are £7,781m – which is £2,593k a year. In Tranche 1 we reduced the base budget to £2,814k – this final figure is an additional £221k savings.
- 3.14 We had estimated the impact of the pay award (see 3.9 above) in Tranche 1 to be £928k. The 2022/3 pay award was delivered to staff in December and the actual impact on budgets was £200k less than expected once all the adjustments had been run through the payroll system.
- 3.15 We have spent significant time reviewing reserves (see Appendix A). This review has resulted in the Council being able to set up an Earmarked Reserve for Utilities Pressures. Our overall assumption still remains, that utilities costs could increase by up to 200%. However, half that increase should it happen, will be funded from this earmarked reserve for the next three years leading to a reduction in base budget of £570k a year over the next three years. Should increases be less than this figure this reserve can be released back to the General Fund.

**REDDITCH BOROUGH COUNCIL****EXECUTIVE COMMITTEE**7<sup>th</sup> February 2023

- 3.16 We have now reviewed base budget across the combined areas of Business Rates, Investment Income, and Investment Payments (This includes the HRA contribution) is a net benefit of £466k as per the table below.

	<b>23/4 Base Budget £000</b>	<b>Combined Totals £000</b>	<b>Re – Based Budgets £000</b>	<b>Combined Totals £000</b>
Investment Income	(1,035)		(870)	
Investment Payments	448	(587)	448	(422)
Business Rates Income	(14,565)		(14,601)	
Business Rates Tariff Payment	11,883		12,318	
S31 Grant	(784)		(2,595)	
Business Rates Levy Payment (net)	481	(2,985)	520	
Business Rates Deficit (based on 22/3)			1,881	
CARF Grant			(728)	
Tax Income Guarantee Grant			(411)	<b>(3,616)</b>
<b>Total</b>		<b>(3,572)</b>		<b>(4,038)</b>

These are draft figures based on NNDR3 forms and government grants. The overall £466k (£4,038 - £3,572) credit is proposed to be split:

- 2023/24
  - £466k to support the budget
  - £200k additional funding to support the General Fund Reserve from the Business Rates Reserve.
- 2024/5 and 2025/6
  - £250k to support the budget
  - A notional £216k to support General Fund Reserves in both years – we will leave this as 0 at present in the Reserves Statement for prudence as reliefs might change in future years and this gives some scope

- 3.17 This has the impact of reducing the funding gap identified in Tranche 1 from a £1,739m deficit to a £0.255m surplus. However, this is before additional pressures as set in the following section.

**Tranche 2 Pressures**

- 3.18 There are also other pressures that have now been quantified. We do know that there are changes in Government legislation which have yet to be received. Key items include:



**REDDITCH BOROUGH COUNCIL****EXECUTIVE COMMITTEE**7<sup>th</sup> February 2023

- The future waste operating model. Further consultation is just about to start for implementation in 2025, this will include transitional arrangements and funding.
- Climate Change – The Council is forecasting a possible £130k increase in costs for the new HVO fuel to be used by the fleet. This is under review (a 100% increase in costs) with alternate providers being assessed as well as reduced conversion. This has not yet been included in the budget and if it becomes an additional cost will be taken from the Utilities Reserve.
- Review of the Councils Leisure contract/future Operating Model

3.19 Other service-based pressures identified for inclusion in the Tranche 2. Include

- Refurbishment of the fleet, which extends live for 5 years and lets the Council buy new vehicles in 2028 when supply of such vehicles will be more stable. Refurbishment costs circa £70k, a new diesel vehicle is £200k, and electric Vehicle is £400k
- A fund for apprentices across the Council which assumes 5 positions at a base rate 20K a position in order for the Council to take advantage of apprenticeship levies and “grow” our own staff. The overall amount of circa £100k across both Councils
- We will need to fund a data analyst as we move forward with all the work on automation, robotics, etc, to take the Council forward. The costs are £50K spread across both Councils. This will indirectly lead to further savings as these processes/changes are embedded in future years budgets.
- Planning Enforcement – the use of WRS to speed up this process has additional cost implications across both Councils. An initial figure of £50k (which is spend to date) is added split across both Councils.
- The increased costs of Worcestershire Regulatory Services due to the pay award and other inflationary increases.
- Bringing employee budgets up to the full 2% level for pay awards in 2023/4 and 2024/5.
- The Council Tax Collection Fund is projected to under-recover by £1,589k. The Council portion of this is 13% which is £190k – this would be a one-off issue for 2023/24.

3.20 The Local Government Provisional Settlement Updates along with the additional revenues and pressures set out in this section result in a resultant gap for the Council of £0.311m which is set out in the following table. This reduces to an £63k surplus position over the three-year MTFP period.

**REDDITCH BOROUGH COUNCIL**

EXECUTIVE COMMITTEE

7<sup>th</sup> February 2023

	2023/24	2024/25	2025/26
	£000	£000	£000
<b>Base Budget Position 22/23 MTFP</b>			
Expenditure	10,290	10,428	10,661
Funding	-9,341	-9,595	-9,621
<b>Net</b>	<b>949</b>	<b>833</b>	<b>1,040</b>
<b>Revised Gap</b>	<b>949</b>	<b>833</b>	<b>1,040</b>
<b>Pressures</b>			
50% Funding for Climate Change Officer	30	30	30
<b>Savings Options</b>			
Environmental Services Partnership	0	-25	-50
Service Reviews	-140	-330	-405
Move to All Out Elections	0	0	-170
Town Hall	0	0	-400
Finance Vacancies	-100	-100	-100
MRP	-100	-100	-100
Pension Fund	-580	-580	-580
Engage Capacity Grid (One Off)	-300	-300	0
10% Increase in Fees and Charges	-339	-340	-342
Council Tax Increase	0	-104	-104
<b>Total Savings</b>	<b>-1,529</b>	<b>-1,849</b>	<b>-2,221</b>
<b>Revised Position</b>	<b>-580</b>	<b>-1,016</b>	<b>-1,181</b>
<b>Pressures</b>			
Pay Pressure Year 1	928	928	928
Pay Pressure Future Years (1%)	0	0	117
Transport Pressure	21	21	21
Contracts Pressures	230	235	240
<b>Core Pressures</b>	<b>1,179</b>	<b>1,184</b>	<b>1,306</b>
<b>Updated Position</b>	<b>599</b>	<b>168</b>	<b>125</b>
Utilities Inflation	1,140	1,140	1,140
<b>Tranche 1 Final Draft Position</b>	<b>1,739</b>	<b>1,308</b>	<b>1,265</b>
<b>Draft Local Government Financial Settlement</b>			
New Homes Bonus	-19		
Services Grant	-86		
Funding Guarantee	-493		
C Tax Base Reduction	130		
Business Rates/Investment Inc Rebaseline	-466	-250	-250
Future Years Settlements - assumption		-450	-450
<b>Settlement Draft Amounts</b>	<b>-934</b>	<b>-700</b>	<b>-700</b>
1% more on Councils Tax	-69	-69	-69
Conversion of 50% of Utilities to a Reserve	-570	-570	-570
Correction of Salary £1,925 amount	-200	-200	-200
Additional Pensions Savings	-221	-221	-221
<b>Revised Deficit</b>	<b>-255</b>	<b>-452</b>	<b>-495</b>
<b>New Pressures (Known/Ongoing)</b>			
Fleet Refurbishment	129	258	258
Apprenticeship Scheme	50	50	50
Data Analyst	25	25	25
Planning Enforcement	25	25	25
WRS Increase	47	61	74
Under Recovery of 22/23 Council Tax	190		
Increased pay award - so 2%	100	100	0
<b>Total</b>	<b>566</b>	<b>519</b>	<b>432</b>
<b>Revised Draft Position</b>	<b>311</b>	<b>67</b>	<b>-63</b>

**REDDITCH BOROUGH COUNCIL****EXECUTIVE COMMITTEE**7<sup>th</sup> February 2023**Impact on Reserves**

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

***Earmarked Reserves***

- 3.21 The Council entered 2022/23 with almost £10.5m in Earmarked Reserves. It should be noted that the Council has not yet fully closed the 2021/22 Accounts however data is taken on reserve levels as per the Period 11 Monitoring Statement for the year which assumes a £136k underspend for the year. The key reserves going into this financial year are:

- The Business Rates Retention Scheme Reserve held for Business Rates appeals/non collection. This stands at £2.82m.
- The Planning Services Reserve which stands at £0.516m.
- The General C-19 Reserves (funded from Grant Payments) which stands at £941k.
- The Housing Support Reserve (mostly grant funding) - £0.978k.
- The C-19 Collection Fund Reserve which stands at £2.955m. This will reduce to 0 over the next two years as it was grant funding for Council to smooth the effects of the Tax collection levels in the 20/21 financial year due to pandemic reducing collection rates in 2020/21.

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

- £1.710m has been able to be reallocated to a Utilities Reserve and £1.508m transferred to the General Fund.
- The majority of funding to support these changes came from the C-19 Reserve (£0.941m) and the Business Rates Retention Reserve (£1.500m).
- It is assumed that the Utilities Reserve will reduce to 0 over the MTFP period.

***General Fund***

- 3.23 The General Fund assumes the following support over the three years of the MTFS of:

- £0.311m for 2023/4
- £0.067m for 2024/5
- £0.063m surplus for 2025/6

This is after transferring balances of £1.584m as part of the reallocation of Reserves. In addition, as per the re-baselining of Business Rates and Investment codes £200k will be added to the General Fund line in 2023/24.

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- 3.24 The significant issue for the General Fund is the impact of the 2022/23 overspend position. Following Q2 monitoring and taking into account the Pay award and existing support in last year's MTFP, there is a call of £1.424m on the General Fund. Management actions are in place to try and partially mitigate this but a significant portion of the difference is due to the Pay Award.
- 3.25 The Impact of all these factors is that at the end of the MTFP period, the 31<sup>st</sup> March 2026, General Fund Reserve levels are projected to have increase to £2,114m.
- 3.26 The benchmark minimum level for General Fund Reserves is 5% of net expenditure. 5% of the Councils net expenditure (ignoring Housing Benefit which is passported to Clients, and the HRA which is ringfenced) is circa £25m – for which 5% is £1.25m. However
- As 2022/23 has shown, this level of reserves would not cover the level of overspend being reported for this financial year.
  - General fund reserves are all the Council has to fund transformation initiatives, redundancy and any service overspends.
- 3.27 It is prudent therefore to plan to build a level of General Fund Reserves which are 5% of Gross Expenditure less just Housing Benefits - £45m. This would mean General Fund Reserves should be at a level of at least £2.25. The projected reserve level is at this amount although it would be prudent to continue to rebuild reserves in order to fund additional service initiatives in the future.

**Strategic Approach**

- 3.28 The Council has come into the 2023/24 budget process with a number of conflicting issues. These included:
- An ongoing budget deficit position from the 2022/23 MTFP of £1.0m which has now been resolved.
  - Significant inflationary increase due to the “cost of living” crisis.
  - Limited reserves to call on to reduce any deficit, which is still the case due to inflationary pressures. Earmarked reserves stand at just under £11.5m and General Fund Reserves at £1.9m
  - Increases in Council Tax are limited at 2.99% or £5, which is significantly lower than the present rates of inflation.
- 3.29 The Council must move to financial sustainability as soon as is practically possible due to the present inherent risks. The strategy must be to move the Council to financial sustainability by the 2024/25 financial year. To get to this position there will be the need for investment and possibly the requirement to fund redundancy (both from reserves). Both these requirements will be outputs from the Council having to implement changes to the way it operates to continue to become a viable entity going forward and this will take 18 months to implement fully.

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- 3.30 As set out later in the Robustness Statement assumptions have been made based on the best information held now. Issues the Council is facing are not unique, they are being faced by almost all Councils. However, the Council must continue to build reserves to fund transformational changes, and to do this it must continue to drive down its expenditure. This includes:
- Ensuring Grants are maximised.
  - Ensuring Agency work reflects the income provided for its delivery.
  - Minimisation of Bed and Breakfast Temporary Accommodation costs
  - Reviewing the effectiveness of the Council's largest Contracts.
  - Maximising the effectiveness of our refuse fleet
  - Reviewing the location and effectiveness of our Depot
  - Assessing the Council's leisure and cultural strategy in terms of affordability
  - Reviewing recharging mechanisms between the Councils for appropriateness
  - Rationalisation of Back Office services as we embrace technology.
- 3.31 Cost and calls for the Council's services will continue to rise unless managed correctly. This includes, in addition to those highlighted in 3.18 above, the following issues being tackled:
- Rationalisation of our asset estate, especially given energy efficiency requirements by 2026.
  - Replacement of a high skilled by relatively old (49) workforce.
  - Implementation of a new operating model, required through the rollout of new digital solutions to our customers
  - Redevelopment of our Depots
  - Resources required to deliver Damp/Mildew inspections – both HRA and Private Rented Sector
  - Redundancy payments – if we restructure the workforce – also cost of voluntary redundancies.
  - The impact on Services if inflation continues above the 2% level
- 3.32 Many of these initiatives will require investment, for which the only present source of funding is reserves (General Fund and Earmarked Reserves). Key areas of investment will be:
- Documentation of Processes.
  - Investment in automation and robotic processes.
  - Possible redundancy – through restructures.

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- 3.33 In Tranche 1 the existing Capital Programme was split into Schemes that have started and those where no expenditure had happened to date. This final report follows a full review of all schemes on the Capital Programme by CMT in January.
- 3.34 The following table sets out the Capital Programme schemes that are approved for the MTFP time horizon. Many of these schemes are already in partial delivery in the 2022/23 financial year. By approving this list, as per Recommendation 4, the Council are also agreeing for sums not spent in 2022/23 (and 2021/22 by default if schemes originated earlier than 2022/23 as sums have been carried forward through last year's final MTFS Report into 2021/22) to be carried forward into 2023/4. The table also splits amounts by funding Source, Council or third party.

<b>Financial Year</b>	<b>Total Budget £000</b>	<b>Council Funded £000</b>	<b>External Funded £000</b>
2021/22	5,671	2,243	3,428
2022/23	5,431	2,033	3,398
2023/24	12,651	2,015	10,636
2024/25	16,185	5,255	10,930
2025/26	4,863	1,915	2,948

- 3.35 External Funding is made up of a number of Sources. The Council has large schemes. This includes:
- The three Towns Fund schemes – Innovation Centre, Public Square, and Public Realm which are funded via £15.2m of Government Funding, an application will need to be made to Birmingham and Black County LEP once Innovation Centre plans are more detailed for a further funding of £1.9m, and the Council is funding £0.4m of works.
  - The refurbishment of the Town Hall for £5.2m. This is being funded via Capital Receipts.
  - UK Share Prosperity Schemes totalling £2.5m.
- 3.36 The following changes have been made to the Capital Programme:
- The Regeneration Fund, which amounted to over £6m, has been applied to the £0.4m of Towns Funding. As we now have Towns Fund and UKSPF funding from the Government, the remainder of this budget is now no longer required.
  - The Vehicles Replacement fund has been updated, with many Waste Collection vehicles now being refurbished instead of new purchases being made as Council still await the publishing of the Governments Green Paper.

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- New rolling programmes have been created to ensure that key council assets/intervention are maintained. These include:
  - £250k for a planned building maintenance programme.
  - £150k for a planned car park maintenance programme.
  - £75k for a planned footpath maintenance programme.
  - £100k for a planned wheelie bin programme.
  - £65k for ongoing support for Home Repair Grants/Assistance.

3.37 The full list of schemes, including 21 funded via S106 receipts, are set out in Appendix B. The Capital Programme links to the Asset Strategy, Treasury Management Strategy, Minimum Revenue Provision Policy and Asset Investment Strategy.

**Housing Revenue Account**

3.38 A 30 Year Housing Revenue Account Plan will come to Executive on the 27<sup>th</sup> February for approval. The HRA Rents were set at Executive on the 10<sup>th</sup> January where a 7% increase in rents will be made over the next 2 years. This report built on the viability of the HRA report which was reviewed by the Audit, Governance and Standards Committee on the 27<sup>th</sup> October 2022 where an assurance was given to Committee based on a 5% Rent increase. The additional income from the 7% rent increases will be fed into specific initiatives to improve the quality of our social housing including works around Mould which have recently been in the national news.

**Robustness Statement**

3.39 The opinion of the Interim Director of Finance is that the 2023/24 budget estimates contain considerable risk due to the level of uncertainty in the Council's operating environment, making it problematic to develop meaningful assumptions.

3.40 The revenue budget and capital programme have been formulated having regard to several factors including:

- Funding Available.
- Inflation.
- Risks and Uncertainties.
- Priorities.
- Service Pressures.
- Commercial Opportunities.
- Operating in a Post C-19 environment.

3.41 The MTFP highlights that the 1-year Local Government Financial Settlement announced on the 19<sup>th</sup> December was to continue at the present levels then the Council starts to move towards financial viability over the three year plan.

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This is a substantial improvement on the previous years budget where £2.1m of reserves were needed to balance the budget over the three financial years.

- 3.42 However, a more immediate problem for the Council is the level of General Fund Reserves at the end of the 3 years MTFP period as at 1<sup>st</sup> April 2026. The Council needs to find a way to start to build back the General Fund Reserve which are below the level of 5% of gross spending, which is the best practice benchmark. As per the Reserves section above, it is the Opinion of the Interim Director of Finance that the Council needs to do more than this and move to a “safe” level which is closer to 8% as set out in the Reserves Section above.
- 3.43 There are also still significant risks for the Council to manage:
- The Council has not yet closed its 2021/22 accounts. It is using the Period 11 Monitoring Report estimated outturn of £136k. This still needs to be validated.
  - The 2022/23 monitoring is showing an overspend position of £1.424m. This needs to be managed down as it removes half the present General Fund balances.
  - That an estimate on future Government settlements has been made for 2024/5 and 2025/6 based on historic data.
  - The Council has a significant portion of its tax base in the bottom three Council Tax bands and therefore Council Tax revenues are lower than the “average” Council. However, because of this there is a higher requirement for Council services as there are a higher proportion of lower income households. The Council would like to understand if there are options for address this imbalance between funding and service requirements as it has become far more acute with the present cost of living crisis.
  - The core risks of implementation of any MTFP:
    - All savings proposals have passed the S151 Officers tests for robustness and delivery.
    - Implementation of savings to time and budget – we now move through to the implementation processes which needs to be documented to ensure all items are within timescales and variances are reported and mitigated through the correct governance processes – to minimise risk.
  - Loss of key personnel, with the average age of staff being 49. Mitigation plans will need to be drawn up. There is an acute recruitment issue across Gloucestershire and succession planning is a necessity for key roles.
  - The time limited nature of the large Town Fund and UK Shared Prosperity Funds. If programmes are not delivered within the Government Specified timescales, then the Council is liable for ongoing delivery expenditure.
  - Business Rate Income – especially with the 1<sup>st</sup> April 2023 revaluations that are being undertaken, actual income received will vary depending on actual Business Rates growth, and levels of appeals. As highlighted in the



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Collection Fund section, there is also an issue with collection this year being under target which is an impact of the “cost of living” crisis.

- The ongoing impact of inflation, especially around utilities. We have allowed for 200% increases and prices are now reducing, however this is still a substantial risk especially with the Council having “Corporate Buildings” including leisure buildings for the delivery of services directly to the public.
- Possible change of corporate direction/priorities following the elections in May.

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

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

- 3.45 Relevant budget holders are responsible for individual budgets and their preparation. All estimates are then scrutinised by Financial Services staff and the Corporate Management Team prior to submission to Members.
- 3.46 The two tranche 2023-4 budget process has ensured that all budget assumptions have been reviewed and reconsidered by Officers, and then Members, through the Finance and Budget Scrutiny Working Group, Cabinet and Council.
- 3.47 However, as per the strategy section, the Council needs to move to a fully sustainable budget, with no support from reserves, by the 2024/5 financial year.

***Adequacy of Reserves***

- 3.48 Budget and MFTP proposals forecast the level of General Fund balances at £2.1m as at 31<sup>st</sup> March 2026 **which is just below the** minimum set level of £2.3m as set out in the Reserves section.
- 3.49 Taking account of the above, it is still vital that the strategy to move to a fully sustainable budget by the 2024/5 financial year **is sustained**, as the level of risk within the budget and the level of General Fund Reserves, although at the level the Chief Finance Officer judges to be an appropriate level £2.3m still needs to be built up in order to fund business change initiatives.
- 3.50 Further work will be undertaken to ensure that expenditure levels are sustainable and matched by income over the medium to long term. Plans are therefore in place to continue to review budgets and identify and accelerate further savings opportunities.

**REDDITCH BOROUGH COUNCIL****EXECUTIVE COMMITTEE**7<sup>th</sup> February 2023**Collection Fund and Precepts**

- 3.51 The Council Tax collection fund is anticipated to be in deficit based on December data by £1.589m, which will be distributed amongst the major preceptors using the prescribed formulae. The Council's share of the surplus payable as a one-off sum in the following financial year 13% of the total which amounts to £190k.
- 3.52 The precepts from Worcestershire County Council, Hereford and Worcester Fire Authority and the West Mercia Police and Crime Commissioner are due to set their precepts in the week commencing 8<sup>th</sup> February. This will enable the Council to set the Council Tax on 22<sup>th</sup> February 2023. The precepting bodies Council Tax requirements will be included in the formal resolutions which will be presented to Council on 22<sup>th</sup> February.
- 3.53 Business Rates collection data as at December 2022 is projected to be £1.797m below target.

**4. IMPLICATIONS****Financial Implications**

- 4.1 Financial implications are set out in section 3.

**Legal Implications**

- 4.2 A number of statutes governing the provision of services covered by this report contain express powers or duties to charge for services. Where an express power to charge does not exist the Council has the power under Section 111 of the Local Government Act 1972 to charge where the activity is incidental or conducive to or calculated to facilitate the Council's statutory function.

**Service / Operational Implications**

- 4.3 Monitoring will be undertaken to ensure that income targets are achieved in 2023/24.

**Customer / Equalities and Diversity Implications**

- 4.4 The implementation of the revised fees and charges as set out in Tranche 1, will be notified in advance to the customer to ensure that all users are aware of the new charges and any concessions available to them.

**5. RISK MANAGEMENT**

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

**6. APPENDICES and BACKGROUND PAPERS**

Appendix A – Reserves Statement

Appendix B – Detailed Capital Programme

Appendix C – Asset, Treasury Management and Investment Strategies

Background Papers

MTFP Update – Executive 10<sup>th</sup> January, 2023

Tranche 1 MTFP – Executive 25<sup>th</sup> October 2022

MTFP 2022/23 – Approved February 2022

**7. KEY**

None

**REDDITCH BOROUGH COUNCIL****EXECUTIVE COMMITTEE**7<sup>th</sup> February 2023**Appendix A - Reserves Statement**

	Balance at 31/3/21	Transfers In 2021/22	Transfers out 2021/22	Balance at 31/3/22	Transfers In 2022/23	Transfers out 2022/23	Re-baseline 2022/23	Balance at 31/3/23	Transfers in 2023/24	Transfers out 2023/24	Balance at 31/3/24	Transfers in 2024/25	Transfers out 2024/25	Balance at 31/3/25	Transfers in 2025/26	Transfers out 2025/26	Balance at 31/3/26
General Fund	1,889	180		2,069		(1,424)	1,564	2,229	200	(311)	2,118	0	(57)	2,051	63		2,114
<b>General Fund E-marked Reserves:</b>																	
Business Rate grants	0			0				0			0			0			0
Business Rates Retention Scheme	2,832			2,832			(1,500)	1,332	(200)		1,132			1,132			1,132
Support for Commercialism	0			0				0			0			0			0
Community Development	74			74				74			74			74			74
Community Safety	232			232				232			232			232			232
Corporate Services	149			149		(150)		(1)			(1)			(1)			(1)
Customer Services	93			93			(93)	0			0			0			0
Economic Growth	330			330				330			330			330			330
Electoral Services	49			49				49			49			49			49
Environmental Vehicles	29			29				29		(15)	14		(14)	0			0
Equalities	0			0				0			0			0			0
Equipment replacement	25			25			(25)	0			0			0			0
Financial Services	87			87				87			87			87			87
General Risk reserve	45			45			(45)	0			0			0			0
Housing Benefit Implementation	270			270			(130)	140			140			140			140
Housing Support	978			978				978			978			978			978
Land Charges	9			9				9			9			9			9
Land Drainage	129			129				129			129			129			129
Leisure	0			0				0			0			0			0
Mercury Emissions	0			0				0			0			0			0
Parks & Open spaces	8			8				8			8			8			8
Planning Services	516			516				516			516			516			516
Public Donations - Shop mobility	0			0				0			0			0			0
Sports Development	9			9				9			9			9			9
Town Centre	7			7				7			7			7			7
Warmer Homes	16			16				16			16			16			16
Transformational Growth	100			100				100			100			100			100
Pensions	200			200			(200)	0			0			0			0
Regeneration Income	273			273				273			273			273			273
Utilities Reserve								1,710		(570)	1,140		(570)	570		(570)	0
Covid-19 (General)	580	496	(135)	941			(941)	0			0			0			0
Covid-19 Sales Fees and Charges	0	100		100			(100)	0			0			0			0
Covid-19 (Collection Fund)	4,433		(1,478)	2,955				1,478		(1,478)	0			0			0
<b>Total General Fund</b>	<b>11,473</b>	<b>596</b>	<b>(1,613)</b>	<b>10,456</b>	<b>0</b>	<b>(1,628)</b>	<b>(1,324)</b>	<b>7,504</b>	<b>(200)</b>	<b>(2,063)</b>	<b>5,242</b>	<b>0</b>	<b>(584)</b>	<b>4,658</b>	<b>0</b>	<b>(570)</b>	<b>4,088</b>

**REDDITCH BOROUGH COUNCIL****EXECUTIVE COMMITTEE**7<sup>th</sup> February 2023**Appendix B – Capital Programme**

Cap Proj	Description	Approved budget date	Department	Funding detail	2021/22 Total £	21/22 Spend Total £	2022/23 Total £	22/23 Spend to 10/1 £	2023/24 Total £	2024/25 Total £	2025/26 Total £	Council 21/22 £	Council 22/23 £	Council 23/24 £	Council 24/25 £	Council 25/26 £	3rd Party 21/22 £	3rd Party 22/23 £	3rd Party 23/24 £	3rd Party 24/25 £	3rd Party 25/26 £	
<b>Large Schemes</b>																						
<b>Towns Fund</b>																						
	- Innovation Centre		Planning, Regeneration & Leisure	Govt Grant		500,000	2,500,000		2,500,000	4,000,000	1,000,000						0	500,000	2,500,000	4,000,000	1,000,000	
	- Innovation Centre		Planning, Regeneration & Leisure	LEP Grant							1,948,000						0	0	0	0	1,948,000	
	- Library		Planning, Regeneration & Leisure	Govt Grant		500,000	2,000,000	500,000	2,000,000	1,700,000	0						0	500,000	2,000,000	1,700,000	0	
	- Public Realm		Planning, Regeneration & Leisure	Govt Grant		500,000	1,500,000	500,000	1,500,000	1,000,000	0						0	500,000	1,500,000	1,000,000	0	
	- Public Realm		Planning, Regeneration & Leisure	Borrowing						439,000		0	0	0	439,000	0						
100108-10	Town Hall Redevelopment		Legal, Democratic and Property Services	Cap Receipts and Short Term Borrowing		400,000	3,000,000		3,000,000	1,800,000							0	400,000	3,000,000	1,800,000	0	
<b>UK Shared Prosperity Fund</b>																						
	- Capital Element		Planning, Regeneration & Leisure	Grant Funding		108,500											0	108,500	0	0	0	
	- Revenue Element		Planning, Regeneration & Leisure	Grant Funding		195,147											0	195,147	0	0	0	
	- Remainder (to be)		Planning, Regeneration & Leisure	Grant Funding		20,000	607,294		607,294	1,591,109							0	20,000	607,294	1,591,109	0	
<b>Schemes Agreed to Continue in Tranche 1</b>																						
100004	Car Park Maintenance		Environmental Services	Borrowing	25,000	0	150,000	17,000	150,000	150,000	150,000	25,000	25,000	150,000	150,000	150,000						
New	Footpaths		Environmental Services	Borrowing		0	75,000	0	75,000	75,000	75,000	0	0	75,000	75,000	75,000						
100007	Disabled Facilities Grant	21/22	Community & Housing GF Services	DFG grant	1,951,867	765,000	839,000	663,000	839,000	839,000	0						1,951,867	839,000	839,000	839,000	0	
100008	Energy & Efficiency Installs.	21/22	Community & Housing GF Services	Borrowing	53,736	19,000	0	0	0	0	0	53,736	110,000	0	0	0						
100009	GF Asbestos	2020/21	Finance & Customer Services	Borrowing	57,154	82,000	0	2,000	0	0	0	57,154	40,000	0	0	0						
100014	Improved Parking Scheme (includes locality funding)		Environmental Services	Borrowing	400,000	-5,000	0	0	0	0	0	400,000	400,000	0	0	0						
100005	Camera Replacement programme		Planning, Regeneration & Leisure Services	S106	0	0	0	0	0	0	0						0	0	0	0	0	
100016	Improvement to Morton Stanley Open Space		Planning, Regeneration & Leisure Services	S106	25,633	24,000	0	0	0	0	0						25,633	0	0	0	0	
100017	Improvement to Morton Stanley Play Area for toddler and junior play		Planning, Regeneration & Leisure Services	S106	35,823	35,000	0	0	0	0	0						35,823	0	0	0	0	
100021	Improvements at Business Centres		Planning, Regeneration & Leisure Services	borrowing/capital receipts	73,614	88,000	0	17,800	0	0	0	73,614	0	0	0	0						
100023	Locality Capital Projects - Woodrow Footpath Work		Environmental Services	borrowing/capital receipts	0	3,000	0	0	0	0	0	0	0	0	0	0						









## **CAPITAL STRATEGY REPORT 2023/24 REDDITCH**

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### **Introduction**

- 3.1 This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.
- 3.2 Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

### **Capital Expenditure and Financing**

- 3.3 Capital expenditure is where the Authority spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.
- 3.4 In 2023/24, the Authority is planning capital expenditure of £10.6m for General Fund projects, £37.8m for HRA work, and £23m for regeneration work, most of which is related to Towns Fund grant. This is summarised below:

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

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
General Fund services	3.5	6.8	3.0	5.7	1.9
Council housing (HRA)	7.3	14.2	12.6	12.6	12.6
Regeneration Schemes (inc Towns Fund)	0.0	2.2	9.6	10.5	2.9
<b>TOTAL</b>	<b>10.8</b>	<b>23.2</b>	<b>25.3</b>	<b>28.8</b>	<b>17.5</b>

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

- 3.5 The main General Fund capital projects include Towns Fund regeneration schemes (innovation Centre, Town Square, and Public Realm) totalling £16m to be spend by 2026, and UK Shared Prosperity Funding to be spent by 2025. Following a change in the Prudential Code, the Authority no longer incurs capital expenditure on investments]

- 3.6 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately.
- 3.7 **Governance:** Service managers bid annually to include projects in the Authority's capital programme. Bids are collated by corporate finance who calculate the financing cost (which can be nil if the project is fully externally financed). The Executive appraises all bids based on a comparison of strategic priorities against financing costs and makes recommendations to council. These recommendations are scrutinised by the Budget Scrutiny Working Group. The final capital programme is then presented to Executive and then Council in February each year.
- For full details of the Authority's capital programme, including the project appraisals undertaken, see: 2023/24 MTFP Phase 2 – Executive 7th February 2023.
- 3.8 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Authority's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

*Table 2: Capital financing in £ millions*

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
External sources	2.4	4.7	7.6	10.9	2.9
Capital Receipts	0.0	1.8	4.7	3.5	1.7
Revenue Resources	8.4	16.7	12.9	14.4	10.9
Debt	0.0	0.0	0.0	0.0	1.9
<b>TOTAL</b>	<b>10.8</b>	<b>23.2</b>	<b>25.3</b>	<b>28.8</b>	<b>17.5</b>

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

- 3.9 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

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

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
Minimum Revenue Provision	1.0	0.9	1.0	0.9	1.2
Capital Receipts	0.0	0.0	0.0	0.0	0.0

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

3.10 The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £1m during 2023/24. Based on the above figures for expenditure and financing, the Authority's estimated CFR is as follows:

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

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
General Fund	15.1	11.0	1.7	-1.2	6.3
HRA	122.2	122.2	122.2	122.2	122.2
Regeneration	0.0	2.2	9.6	10.5	2.9
<b>TOTAL CFR</b>	<b>137.3</b>	<b>135.4</b>	<b>133.5</b>	<b>131.5</b>	<b>131.4</b>

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

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

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

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

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

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

The Authority's asset management strategy can be read here: Executive 25<sup>th</sup> October 2022.

- 3.12 **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Authority is currently also permitted to spend capital receipts "flexibly" on service transformation projects until 2023/24 although none are planned. Repayments of capital grants, loans and investments also generate capital receipts. The Authority plans to receive £9.9m of capital receipts(%0.1m linked to right to buy receipts) in the coming financial year as follows:

*Table 5: Capital receipts receivable in £ millions*

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
Asset Sales	0.000	1.800	4.700	3.500	1.700
Loans etc Repaid	0	0	0	0	0

- Further details of planned asset disposals are on set out in the 3.11 above:

### **Treasury Management**

- 3.13 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Authority is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.
- 3.14 Due to decisions taken in the past, the Authority currently has £104m borrowing at an average interest rate of 3.42 % and £35m treasury investments at an average rate of 0.08%.
- 3.15 **Borrowing strategy:** The Authority's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Authority therefore seeks to strike a balance between cheaper short-term loans and long-term fixed rate loans where the future cost is known but higher.
- 3.16 The Authority does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.
- 3.17 Projected levels of the Authority's total outstanding debt (which comprises borrowing, PFI liabilities, leases and transferred debt are shown below, compared with the capital financing requirement (see above).

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

	31.3.2022 actual	31.3.2023 forecast	31.3.2024 budget	31.3.2025 budget	31.3.2026 budget
Debt HRA	103.9	103.9	103.9	103.9	103.9
Debt General Fund (incl. PFI & leases)	0.0	0.0	0.0	0.0	0.0
Capital Financing Requirement	137.3	135.4	133.5	131.5	131.4

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

**3.19 Liability benchmark:** To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £0.2m at each year-end. This benchmark is currently negative give the Council internal resources and will only turn positive in 2025/26.

Table 7: Borrowing and the Liability Benchmark in £ millions

	31.3.2022 actual	31.3.2023 forecast	31.3.2024 forecast	31.3.2025 forecast	31.3.2026 forecast
Outstanding borrowing - General Fund	0.0	0.0	0.0	0.0	0.0
Liability benchmark	-3.4	-2.5	-1.8	-2.9	-2.2

3.20 The table shows that the Authority expects to remain borrowed above its liability benchmark. This is because cash outflows to date have been below the assumptions made when the loans were borrowed.

**3.21 Affordable borrowing limit:** The Authority is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

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

	2021/22 limit	2022/23 limit	2023/24 limit	2024/25 limit	2025/26 limit
Authorised limit - borrowing	170	175	180	185	190
Authorised limit - PFI and leases	1.5	1.5	1.5	1.5	1.5
Authorised limit - total external debt	171.5	176.5	181.5	186.5	186.5
Operational boundary - borrowing	160	165	170	175	180
Operational boundary - PFI and leases	1.5	1.5	1.5	1.5	1.5
Operational boundary - total external debt	161.5	166.5	171.5	176.5	176.5

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

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

*Table 9: Treasury management investments in £millions*

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
Near-term investments	34	35	30	20	20
Longer-term investments	0	0	0	0	0
<b>TOTAL</b>	<b>34</b>	<b>35</b>	<b>30</b>	<b>20</b>	<b>20</b>

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

**3.24 Risk management:** The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

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

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

### **Investments for Service Purposes**

- 3.26 The Authority can make investments to assist local public services, including making loans to local service providers, local small businesses to promote economic growth, the Authority's subsidiaries that provide services. Total investments for service purposes are currently valued at £0m
- 3.27 Risk management:** In light of the public service objective, the Authority is willing to take more risk than with treasury investments, however it still plans for such investments to break even after all costs.. A limit of £2.5m is placed on total investments for service purposes to ensure that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services .
- 3.28 Governance:** Decisions on service investments are made by the relevant service manager in consultation with the Director of Finance and must meet the criteria and limits laid down in the investment strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme. The relevant service director is responsible for ensuring that adequate due diligence is carried out before investment is made.
- Further details on service investments are in the Treasury Management Strategy.

### **Commercial Activities**

- 3.29 With central government financial support for local public services declining, and the Change in PWLB regulations, the Council does not invest in commercial property purely or mainly for financial gain. It has Towns Funding of over £15m to deliver schemes over the next three years and an Office Complex in Oak Tree Park within the Borough (due to shortage) but these are both regeneration in nature.
- 3.30 Risk management:** The Council will not make investments in commercial property purely or mainly for financial gain in the future. It might for re-generational purposes and if that is the case once regeneration have been delivered the Authority will assesses the risk of loss before entering into commercial agreements by using specialist advice to understand the market and the potential future demands of the market and the customers in it. It will also use benchmarking data from the market to determine future potential risks which need to be planned for. External advice will be sought from credible sources eg acknowledged experts in their fields, and officers ensure that they fully understand any information given to them before decision or advice is taken

In 2019 the Council did invest in property at Oak Tree Park Offices. The biggest issue facing Redditch's office market is the obsolescence of existing stock. By investing in existing premises, the Council has control over the condition and quality of its assets and therefore contributes to a supply of offices that are fit for purpose and attractive to the end occupiers. Therefore although a return is made this investment is for regenerative purposes

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

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

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
Total net income	0	0	0	0	0
Proportion of net Revenue Stream	0%	0%	0%	0%	0%

### **Liabilities**

- 3.33 In addition to debt of £104m detailed above, the Authority is committed to making future payments to cover its pension fund deficit (valued at £5.2m), It has also set aside £0.5m to cover risks of Insurance Claims.

- 3.24 Governance:** Decisions on incurring new discretionary liabilities are taken by service managers in consultation with the Interim Director of Finance. The risk of liabilities crystallising and requiring payment is monitored by Audit, Governance and Standards Committee. New liabilities exceeding £0.5m are reported to full council for approval/notification as appropriate.

### **Revenue Budget Implications**

- 3.35 In addition to debt of £104m detailed above, the Authority is committed to making future payments to cover its pension fund deficit (which is in a deficit position of £5.179m as per the 2022 Triennial revaluation and the backlog will be cleared in 2037). It has also set aside £3.2m for Business Rates Appeals via a reserve.



Table 11: Prudential Indicator: Proportion of financing costs to net revenue stream

	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget
Financing costs (£m)	1.1	1.1	1.0	0.9	1.2
Proportion of net revenue stream	10.48%	10.48%	9.56%	9.09%	11.47%

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

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

### **Knowledge and Skills**

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

## **TREASURY MANAGEMENT STRATEGY REPORT 2023/24**

### **Introduction**

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

### **External Context**

#### **Economic background:**

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

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

**Credit outlook:**

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

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

**Interest rate forecast (November 2022):**

- 3.17 The Authority's treasury management adviser Arlingclose forecasts that Bank Rate will continue to rise in 2022 and 2023 as the Bank of England attempts to subdue inflation which is significantly above its 2% target.
- 3.18 While interest rate expectations reduced during October and November 2022, multiple interest rate rises are still expected over the forecast horizon despite looming recession. Arlingclose expects Bank Rate to rise to 4.25% by June 2023 under its central case, with the risks in the near- and medium-term to the upside should inflation not evolve as the Bank forecasts and remains persistently higher.
- 3.19 Yields are expected to remain broadly at current levels over the medium-term, with 5-, 10- and 20-year gilt yields expected to average around 3.6%, 3.7%, and 3.9% respectively over the 3-year period to September 2025. The risks for short, medium and longer-term yields are judged to be broadly balanced over the forecast horizon. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.
- 3.20 A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix A.
- 3.21 For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 2.00%, and that new long-term loans will be borrowed at an average rate of 4.57% which is the PWLB rate for 40 year debt on the 16<sup>th</sup> January 2022.

## Local Context

- 3.22 On 31st December 2022, the Authority held £103.9m of borrowing and £29m of treasury investments. This is set out in further detail in this report. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.22	31.3.23	31.3.24	31.3.25	31.3.26
	Actual	Estimate	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m
General Fund CFR	15.1	13.2	11.3	9.3	9.2
Investments CFR	0.0	0.0	0.0	0.0	0.0
<b>Total CFR</b>	<b>15.1</b>	<b>13.2</b>	<b>11.3</b>	<b>9.3</b>	<b>9.2</b>
Less: External borrowing **	0.0	0.0	0.0	0.0	0.0
<b>Internal (over) borrowing</b>	<b>15.1</b>	<b>13.2</b>	<b>11.3</b>	<b>9.3</b>	<b>9.2</b>
Less: Usable reserves	-12.5	-9.7	-7.1	-6.2	-5.5
Less: Working capital	-6.2	-6.2	-6.2	-6.2	-6.2
<b>Treasury investments (or New borrowing)</b>	<b>3.6</b>	<b>2.7</b>	<b>2.0</b>	<b>3.1</b>	<b>2.4</b>

\* leases that form part of the Authority's total debt

\*\* shows only loans to which the Authority is committed and excludes optional refinancing

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

The Authority has an increasing CFR due to the capital programme, but minimal investments and will not need to borrow in the short term to finance its capital programme until 2025/26.

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

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

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

keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 2: Prudential Indicator: Liability benchmark

	31.3.21	31.3.22	31.3.23	31.3.24	31.3.25
	Actual	Estimate	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m
CFR	15.1	13.2	11.3	9.3	9.2
Less: Usable reserves	-12.5	-9.7	-7.1	-6.2	-5.5
Less: Working capital	-6.2	-6.2	-6.2	-6.2	-6.2
Plus: Minimum investments	0.2	0.2	0.2	0.2	0.2
<b>Liability Benchmark</b>	<b>-3.4</b>	<b>-2.5</b>	<b>-1.8</b>	<b>-2.9</b>	<b>-2.2</b>

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

### **Borrowing Strategy**

3.28 The Authority currently holds £104 million of loans, no change on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority does not expect to need to borrow in 2023/24. The Authority may also borrow additional sums to pre-fund future years' approved requirements, providing this does not exceed the authorised limit for borrowing.

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

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

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

- 3.32 The Authority has previously raised the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.
- 3.33 Alternatively, the Authority may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 3.34 In addition, the Authority may borrow short-term loans to cover unplanned cash flow shortages.
- 3.35 Sources of borrowing:** The approved sources of long-term and short-term borrowing are:
- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
  - any institution approved for investments (see below)
  - any other bank or building society authorised to operate in the UK
  - any other UK public sector body
  - UK public and private sector pension funds (except Worcestershire Pension Fund)
  - capital market bond investors
  - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.
- 3.36 Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- leasing
  - hire purchase
  - Private Finance Initiative
  - sale and leaseback
- 3.27 Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to [\[full Council\]](#).

- 3.29 Short-term and variable rate loans:** These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).
- 3.30 Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

### **Treasury Investment Strategy**

- 3.31 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's treasury investment balance has ranged between £20 and £40 million, and similar levels are expected to be maintained in the forthcoming year.
- 3.21 Objectives:** The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. Redditch Borough Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.
- 3.33 Strategy:** As demonstrated by the liability benchmark above, the Authority expects to be a funding borrowing from internal resources 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.
- 3.34 The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the Authority may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital



programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.

- 3.35 ESG policy:** Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.
- 3.36 Business models:** Under the IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.
- 3.37 Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table 3 below, subject to the limits shown.

*Table 3: Treasury investment counterparties and limits*

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£3 m 5 years	£3m 20 years	£3m 50 years	£3m 20 years	£1m 20 years
AA+	£3m 5 years	£3m 10 years	£3m 25 years	£3m 10 years	£1m 10 years
AA	£3m 4 years	£3m 5 years	£3m 15 years	£3m 5 years	£1m 10 years
AA-	£3m 3 years	£3m 4 years	£3m 10 years	£3m 4 years	£1m 10 years
A+	£3m 2 years	£3m 3 years	£3m 5 years	£3m 3 years	£1m 5 years
A	£3m 13 months	£3m 2 years	£3m 5 years	£3m 2 years	£1m 5 years
A-	£3m 6 months	£3m 13 months	£3m 5 years	£3m 13 months	£1m 5 years
None	£1.5m 6 months	n/a	£3m 25 years	£1m 5 years	£500k 5 years

Pooled funds and real estate investment trusts	£2.5m per fund or trust
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- 3.38 \* Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
- 3.39 For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £500,000 per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.
- 3.40 Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.
- 3.41 Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.
- 3.42 Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- 3.43 Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in

Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

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

- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 3.50** Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “negative watch”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.
- 3.51 Other information on the security of investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority’s treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
- 3.52 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority’s cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.
- 3.53 Investment limits:** The Authority’s revenue reserves available to cover investment losses are forecast to be £9.7 million on 31<sup>st</sup> March 2023 and £7.1 million on 31<sup>st</sup> March 2024. In order that no more than 45% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5.0 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.
- 3.54 Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £2m in operational bank accounts count against the relevant investment limits.
- 3.55 Limits are also placed on fund managers, investments in brokers’ nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Additional investment limits

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

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

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

#### **Treasury Management Prudential Indicators**

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

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

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

Liquidity risk indicator	Target
Total cash available within 3 months	£2.5m

- 3.61 Interest rate exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

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

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

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

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

The Council has not taken out debt financing for a number of years, therefore all debt is presently over 10 years old. This revised ratio gives flexibility for new debt that will possibly be required. Time periods start on the first day of each financial year.

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

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

Price risk indicator	2023/24	2024/25	2025/26	No fixed date
Limit on principal invested beyond year end	£1.5m	£1m	£0.5m	£0m

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

### **Related Matters**

- 3.67 The CIPFA Code requires the Authority to include the following in its treasury management strategy.
- 3.68 Financial derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 3.69 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 3.70 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.
- 3.71 In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
- 3.72 Housing Revenue Account:** On 1<sup>st</sup> April 2012, the Authority notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Authority's average interest rate on investments, adjusted for credit risk.

**3.73 External Funds:** The Council does invest funds for its fully owned subsidiary Rubicon.

**3.74 Markets in Financial Instruments Directive:** The Authority has retained retail client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a smaller range of services but with the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Director of Finance believes this to be the most appropriate status.

### **Financial Implications**

3.75 The budget for investment income in 2023/24 is £0.670 million, based on an average investment portfolio of £30 million at an interest rate of 2.0%. The budget for debt interest paid in 2023/24 is £0.448m million, based on an average general fund debt portfolio of £12 million at an average interest rate of 3.42%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different

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

### **Other Options Considered**

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

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however



		long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

**Appendix A – Arlingclose Economic & Interest Rate Forecast – November 2022****Underlying assumptions:**

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

**Forecast:**

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

- 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
<b>Official Bank Rate</b>													
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
<b>3-month money market rate</b>													
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
<b>5yr gilt yield</b>													
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
<b>10yr gilt yield</b>													
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
<b>20yr gilt yield</b>													
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
<b>50yr gilt yield</b>													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.24	3.40	3.40	3.40	3.40	3.40	3.30	3.30	3.30	3.30	3.30	3.30	3.30
Downside risk	0.00	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

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

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

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

**Appendix B – Existing Investment & Debt Portfolio Position**

	31.12.22 Actual portfolio £m	31.3.22 Average rate %
<b>External borrowing:</b>		
Public Works Loan Board	98.9	3.35
Local authorities		
LOBO loans from banks		
Other loans	5.0	4.71
<b>Total external borrowing</b>	<b>103.9</b>	<b>3.42</b>
<b>Other long-term liabilities:</b>		
Private Finance Initiative		
Leases		
Transferred Debt		
<b>Total other long-term liabilities</b>	0	0
<b>Total gross external debt</b>	<b>103.9</b>	<b>3.42</b>
<b>Treasury investments:</b>		
The UK Government	19.7	
Local authorities		
Other government entities		
Secured investments		
Banks (unsecured)		
Building societies (unsecured)		
Registered providers (unsecured)		
Money market funds	9.1	
Strategic pooled funds		
Real estate investment trusts		
Other investments		
<b>Total treasury investments</b>	<b>28.8</b>	<b>1.56</b>
<b>Net debt</b>	<b>75.1</b>	

## Annual Minimum Revenue Provision Statement 2023/24

### Introduction

- 3.1 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The *Local Government Act 2003* requires the Authority to have regard to the former Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2018.
- 3.2 The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
- 3.3 The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.
- For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate of 4%, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
  - For assets acquired by leases MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
  - When former operating leases are brought onto the balance sheet due to the adoption of the *IFRS 16 Leases* accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.
  - For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred on the loan is fully funded over the life of the assets.

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

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

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

:

	<b>31.03.2023 Estimated CFR £m</b>	<b>2023/24 Estimated MRP £</b>
Capital expenditure before 01.04.2008		
Supported capital expenditure after 31.03.2008		
Unsupported capital expenditure after 31.03.2008	19.8	910.000
Leases and Private Finance Initiative		
Transferred debt		
Loans to other bodies repaid in instalments		Nil
Voluntary overpayment (or use of prior year overpayments)	n/a	
<b>Total General Fund</b>		<b>910,000</b>
Assets in the Housing Revenue Account	<b>23.3</b>	
HRA subsidy reform payment	<b>98.9</b>	
<b>Total Housing Revenue Account</b>	<b>122.2</b>	<b>0</b>
<b>Total</b>	<b>143.0</b>	<b>910,000</b>

## INVESTMENT STRATEGY REPORT 2023/24

### Introduction

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

### Treasury Management Investments

- 3.3 The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £20m and £40m during the 2023/24 financial year.
- 3.4 **Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.
- 3.5 **Further details:** Full details of the Authority's policies and its plan for 2023/24 for treasury management investments are covered in a separate document, the treasury management strategy, which is part of these appendices.

### Service Investments: Loans

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

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

*Table 1: Loans for service purposes in £ millions*

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

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

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



### **Commercial Investments: Property**

**3.10 Contribution:** The Council has Towns Fund Funding of over £15m to regenerate the Town Centre and deliver an Innovation Centre. Although these schemes will generate an income stream at the end of the process their main purpose, as per the Grant requirements, is for regeneration. As set out in the Capital Strategy it invested in offices at Oak Tree Part in 2019 for regenerative purposes (See Asset Strategy). Fully let these premises will generate £76k per annum. The Council does not invest in property for commercial gain.

*Table 3: Property held for investment purposes in £ millions*

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

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

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

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

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

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

Authority the Authority ensures that properties purchased are in an active market where there is demonstrable demand to ensure that the authority does not purchase assets which it will not be able to sell on at a later date.

### **Loan Commitments and Financial Guarantees**

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

### **Proportionality**

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

### **Borrowing in Advance of Need**

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

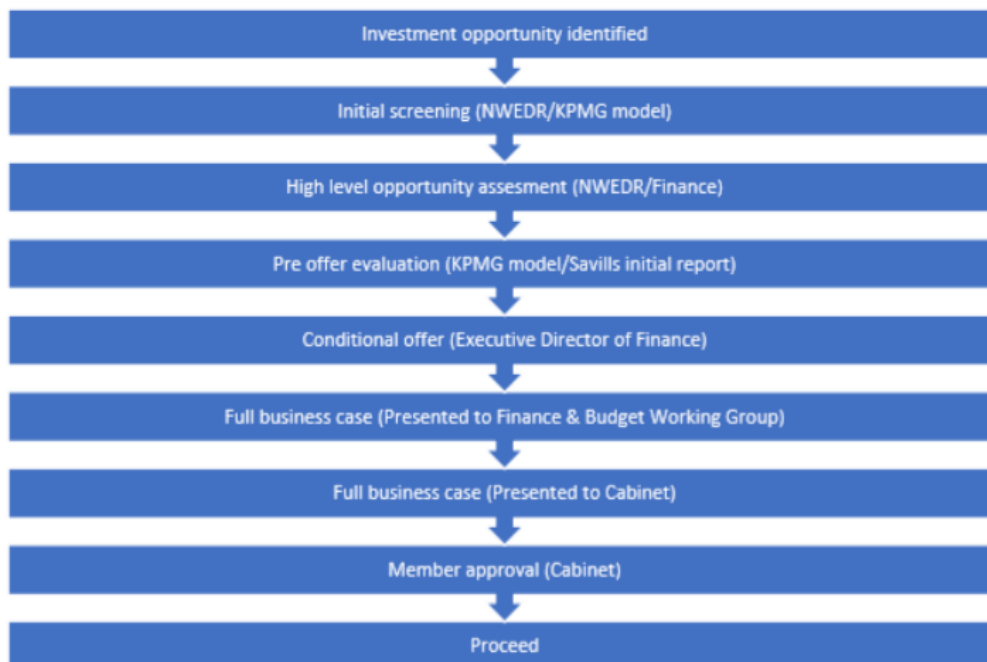
### **Capacity, Skills and Culture**

- 3.26 **Elected members and statutory officers:** Member training will take place annually as part of the induction process. External advisors will provide reports to support investment decisions with officers ensuring that they fully understand them and can relate them to the strategic objectives and risk profile of the authority.
- 3.27 **Commercial deals:** Significant work has been undertaken using external advisors and relevant training courses have been attended to ensure that officers are fully aware of the code and statutory requirements of a local authority which is investing.

KPMG have developed a modelling tool for the authority to use when assessing potential purchases as a precursor to engaging with external consultants to

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

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



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

### **Investment Indicators**

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

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

*Table 5: Total investment exposure in £millions*

<b>Total investment exposure</b>	<b>31.03.2022 Actual</b>	<b>31.03.2023 Forecast</b>	<b>31.03.2024 Forecast</b>
Treasury management investments	35	30	20
Service investments: Loans			
Service investments: Shares			
Commercial investments: Property	0	0	0
<b>TOTAL INVESTMENTS</b>	<b>35</b>	<b>30</b>	<b>20</b>
Commitments to lend			
Guarantees issued on loans			
<b>TOTAL EXPOSURE</b>	<b>35</b>	<b>30</b>	<b>20</b>

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

Table 6: Investments funded by borrowing in £millions

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

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

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

<b>Investments net rate of return</b>	<b>2021/22 Actual</b>	<b>2022/23 Forecast</b>	<b>2023/24 Forecast</b>
Treasury management investments	0.08%	1.56%	2.0%
Service investments: Loans			
Service investments: Shares			
Commercial investments: Property			
<b>ALL INVESTMENTS</b>	<b>0.08%</b>	<b>1.56%</b>	<b>2.0%</b>

Table 8: Other investment indicators

<b>Indicator</b>	<b>2021/22 Actual</b>	<b>2022/23 Forecast</b>	<b>2023/24 Forecast</b>
<i>e.g.</i> Debt to net service expenditure ratio	0%	0%	0%

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# Overview and Scrutiny Committee

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Thursday, 8th December,  
2022

## MINUTES

### Present:

Councillor Bill Hartnett (Chair), Councillor Joanna Kane (Vice-Chair) and Councillors Salman Akbar, Imran Altaf, Tom Baker-Price, Sid Khan and Timothy Pearman.

### Also Present:

Councillor Peter Fleming (Portfolio Holder for Environmental Services) – (on Microsoft Teams)

### Officers:

Guy Revans, Michael Birkinshaw, Michael Rowan (on Microsoft Teams), and Carl Walker

### Democratic Services Officers:

Jo Gresham and Mat Sliwinski

## 81. APOLOGIES AND NAMED SUBSTITUTES

Apologies for absence were received from Councillors Chalk and Clayton.

## 82. DECLARATIONS OF INTEREST AND OF PARTY WHIP

Councillor Kane declared that she had previously expressed clear and publicised views on the proposals to be discussed under Minute Item No. 85 (Pre-Decision Scrutiny – Appropriation of Land off Ipsley Church Lane for Planning Purposes) and as such her participation in the discussion and vote on this matter could be construed as predetermination. Councillor Kane indicated that due to this she would not be taking part in the rest of the meeting.

Councillor Kane subsequently left the room and took no further part in the meeting.

Chair

# Overview and Scrutiny Committee

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Thursday, 8th December, 2022

## 83. MINUTES

The minutes from the Overview and Scrutiny Committee meeting held on Thursday 20<sup>th</sup> October 2022 were submitted for Members' consideration.

### **RESOLVED that**

**the minutes of the Overview and Scrutiny Meeting held on Thursday 20<sup>th</sup> October 2022 be approved as a true and correct record and signed by the Chair.**

## 84. PUBLIC SPEAKING

The Chair introduced the public speaking item and explained to the Committee that several public speakers had registered to speak either in person or had prepared statements to be read out before the Committee.

The Chair explained to Members that a written statement had been received from Ms. J. Lovell, made on behalf of herself and two other residents, Dr. E. Soady and Mr. I. Soady. Therefore, nine minutes would be allocated for this statement to be read out by the Democratic Services Officer present. Her statement was delivered as follows:

"I make this statement on behalf of myself, Mr and Dr. Soady and we represent the hundreds of people, including their children, who can't be here but will be detrimentally impacted should this appropriation go ahead to allow what is a BUILD DEVELOPMENT.

Talk to anyone on social media, on the street, in the park, in the meadow, they will all say "IT'S A DONE DEAL ". And yes, it is as far as the ruling incumbent councillors are concerned. That is evidenced in their committees in pursuit and it's no secret this is the site they want, and this is the site they shall have.

So, the officer seems to me to be saying that apart from the loss of open space no other argument is valid because they have planning permission. [ By the way that's OUTLINE planning permission.] So as a cemetery is a topology of open space there won't be any loss, end of.

Let us be absolutely clear on this. Let's talk about the reality.

This is for a BUILD DEVELOPMENT of a new from scratch forever expanding operational cemetery. Entrance gates running into a



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large carpark area. Lanes off to accommodate the hurst. Ancillary buildings to accommodate the digging/maintenance equipment and toilets. And once it's began other buildings associated with burials will no doubt be granted permission. The continuation of digging up of graves, with or without headstones, headstones up or down. No time to elaborate more but you will have the reality of a cemetery in your focus tonight.

Let's be absolutely clear of what this land is now here today. A UNIQUE part of Arrow Valley Park South, part of the park given over in trust by Redditch Newtown Development Corporation for pleasure. It is an established, well-loved, and used semi natural area close to our urban homes. This has been acknowledged by a council solicitor in a response to my complaint.

As committed members of Overview and Scrutiny you will have outsourced that the high value and use of this piece of parkland for enjoyment of recreational pursuits is proven and weighted heavily.

From as high as the national government policies, including Public Heath England, and National Planning Policy Framework. Even the Inspector of State declared the council could not allocate Arrow Valley Park as land for the development of plan because of its great importance for recreational needs. Down to Worcestershire Green Infrastructure Framework to your own policies.

You will be aware of the recent allocation of 85k from the national government levelling up parks fund. This is an allocation based on the evidence that Arrow Valley Park is in one of the deprived parts of England for RECREATIONAL SPACES WITHIN WALKING DISTANCE of homes. The idea is to keep and make more not to take away!

So please question why the officer is seemingly adamant that this build development is exactly the same thing as a park.

On financial argument, is it the publics fault bereavements was allowed to go ahead to spend 60k on a planning application before public and council consultations and now use as a reason to go ahead with appropriation regardless of argument because of it being cited as a waste of public funds if not granted.?

On their land hectarage argument, question the arguments and the maths given by the officer regarding taking this park land away because there is adjacent and wider park land.

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It's not just a question of hectares. It's a question of accessibility and quality, how it best serves the public.

Question the figure of area given for the maths against the figure on planning amended area. Why that takes in the surrounding public highways paths, woody areas which is included for planning but excluded from this appropriation with the same drawing.

Question the figures for the adjoining and whole park and used in the maths calculation.

For example, In the immediate vicinity there is the vast GKN works buildings and land, and private residences Mill cottage stables of no public access.

We share the park with the wildlife, and they are entitled to open grass land, scrub, and ponds which are off limits to humans and rightly so and cover much land in the immediate vicinity.

Immediately below is wild goose playing fields, predominantly in use football fields and BMX/skatepark waiting for expansion.

Also, hectareage of the whole park, for example, the 2 ½ mile stretch of river runs within the park and the lakes and we cannot, as yet walk on water.

These provable points along with others I have no time to list, but you will find, will seriously change the maths, and turn in the public's favour the need of this piece of park for recreation needs.

As committed members of o and s you will have accessed the public's representations summarised in this report for fairness.

You will have found a detailed submission from a highly qualified town planning consultant which has seemingly been dismissed as irrelevant.

There is no time to mention all but for the record tonight particularly pertinent point made by this qualified open space consultant.

That the fact of the open space needs assessment has been proven as woefully out of date and inadequate for 2022 and thus renders the Public Open Space quotes in this report as unsound. Make no mistake, this piece of park is wholly valuable in provision for Matchborough ward and indeed people come from in particular Winyates, Church Hill, Woodrow, Greenlands to make use as well as visitors alike due to its regional status.

# Overview and Scrutiny Committee

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Other pertinent points made by the public, also appears missing including a record of a petition of over 400 legitimate signatures and some with comments. Also missing or dismissed much of my own, Dr and Mr Soady. What other points in public submissions have been dismissed or ignored as well?

This council, with its transient members of today, have a duty to make decisions now that will not prevent future generations from having the same opportunities.

The planning statement of Intent is relevant here. The intention of wider space allocation for each grave, of including natural burial area as well as the statutory inclusion of all faith domains and their rights of burial which includes separation allowances and open for everyone, anyone in and outside Redditch.

Also, relevant the geo report, the declaration of the parkland in this site contains bands and deposits of impenetrable siltstone. Also ground water issues in parts and environmental restraints.

These facts will seriously detrimentally skew the number of graves per hectare of land as declared by bereavements for future years' worth of graves, which after all, GRAVES are the point, it's already a wildlife haven...What then.? when this meadow is filled, the PRESEDENT IS SET for the taking of yet more parkland from the adjoining parkland.

This piece of our precious park will just become the gateway to the ever-consuming need for burial land as the population grows with its diversity of people's needs and rights to burial. A park already insufficient for today's needs, especially highlighted by Covid.

What choice will the future councillors have to justify the plus £1million this council will have spent on the gateway other than continue it?

There are alternative sites that are not parkland available now thereby not causing such major impacts on the people now and the future for their need of this park for pleasure.

And just to finish please

I believe this present council leadership will, to coin a phrase, "WILL HAVE TO BE GOING SOME" to argue in law that an operational cemetery outweighs an existing open grassland meadow, scrub, wood, and ponds in terms of wildlife, biodiversity, and climate change.

# Overview and Scrutiny Committee

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And “BE GOING SOME EVEN MORE”, to argue in law, an operational cemetery is a place of enjoyment, fun among the graves, and therefore there will be no loss of this well-loved, valued, much needed, easily accessed, high quality, historic piece of park, heavily used for enjoyment for the benefit of our mental and physical wellbeing, in recreation as is OUR RIGHT!

Thank you.”

The Chair subsequently welcomed Mrs. E. McMahon to the meeting, who was invited to speak to the Committee.

Her speech was delivered as follows:

“Good evening

My name is Eileen McMahon

I would like to state my opposition to the Council’s proposed appropriation of the land at Ipsley Meadow for the purpose of a cemetery.

Ipsley Meadow as part of the Arrow Valley Park offers valuable open recreational space and to quote the Council’s website: “is protected as a green space where the management of the park is taken very seriously to ensure it is stewarded and improved for future generations.”

The Arrow Valley Park as a whole is a well loved, highly valued Community Asset, used daily throughout the seasons by the whole community and beyond.

We are all aware of the growing need for fresh air and open recreational spaces in order to support good mental health and wellbeing; places for sport, walking and other physical activities or just as an open space for social interaction. We need more spaces like Ipsley Meadow not less.

Furthermore, there needs to be good safe access for pedestrians to enter Ipsley Meadow from Ipsley Church Lane. I am very disheartened that the public footpath number 621 (C) which runs parallel to the lane has been blocked for many years, making pedestrians walk up the road with moving traffic on the steep and narrow lane. I am aware that the issue of the blocked footpath has been raised previously by Redditch Ramblers with the County Council. I am a member of the RAMBLERS’s Association.

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I urge you to please protect and improve access to Ipsley Meadow for all of the reasons outlined.

Thank you”

## **85. PRE-DECISION SCRUTINY - APPROPRIATION OF LAND OFF IPSLEY CHURCH LANE FOR PLANNING PURPOSES**

The Chair introduced this item and explained that it was not possible for Officers to provide the Committee with the copies of all 60 letters of objection on the grounds of the loss of recreational space due to time and resource constraints. The Bereavement Services Manager clarified that a sample of the objections would be read out in the course of the Officer presentation.

The Bereavement Services Manager presented a report on the appropriation of Land off Ipsley Church Lane and explained that this report was due to be considered by the Executive Committee on the 13<sup>th</sup> December 2022, which would decide whether to proceed with the appropriation of land off Ipsley Church Lane for planning purposes under section 122 (2A) of the Local Government Act 1972.

It was explained that the planning decision notice dated 26<sup>th</sup> April 2022 provided for a change of use and entrance subject to various conditions. This permission was to create a modern cemetery using the open space and biodiversity in such a way as to ensure the wider ecology would be enhanced.

The land in question was designated primary open space and remained so even with the change of use permission. Therefore, appropriation of the land for planning purposes was required and the authority had the power to do this under section 122 of the Local Government Act 1972. As the land was open space this power fell under sub-section 2a of section 122 of the Act due to its recreational use.

The Bereavement Services Manager clarified the steps that the Council had taken thus far to lawfully proceed with the process of appropriation proposal. The Council was required to advertise its intention to appropriate in a newspaper with circulation in the local area. The adverts were placed on 16<sup>th</sup>, 23<sup>rd</sup> and 30<sup>th</sup> of September – the third date was added as in the first week an incorrect email address had been included in the advert. This satisfied the minimum requirements for advertising the intention to appropriate.

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The Council also had to consider any objections to the proposed appropriation. To discharge this requirement there was a period of six weeks allocated for making representations, from 16<sup>th</sup> September to 28<sup>th</sup> October 2022.

It was highlighted that, following this process, should the Council decide to appropriate this land it was released from any trust for the enjoyment of the public imposed by section 164 of the Public Health Act 1875 or the Open Spaces Act 1906.

The Bereavement Services Manager explained that the report before the Committee detailed the planning designations of open space and primarily open space used within the change of use application.

The details of the objections received were summarised and it was noted that 69 people objected to the appropriation, of whom 68 objected by email and 1 person objected by letter. The objections were categorised into 14 categories, with categories 2-14 having been dealt with via the planning application of 13<sup>th</sup> October 2021. Thus, in granting the permission the planning authority had satisfied itself that these matters were compatible with the use of the site and were not matters for consideration in this appropriation process.

The loss of recreational space was the outstanding objection that had to be considered in the appropriation process. Under the 60 objections recorded in this category the objections related to the use of space for such activities/reasons as walking with family, dog walking and mental health.

The Bereavement Services Manager clarified that the site being considered for appropriation amounted to 4.60 hectares and was surrounded by a further 55 hectares of open space within 1 kilometre from the centre of the site. As a result of the circa 60 hectares available to the public in this area, the appropriation of this land equated to 8 per cent of the land, leaving 92 per cent of the land still available for recreational use.

Across the wider Arrow Valley Park there was approximately 364 hectares with a wide range of facilities compatible with its use as a leisure and recreation facility. In this respect the appropriation of this land equated to 1.3 per cent of the overall available land, leaving 98.7 per cent available.

The Bereavement Services Manager also explained the biodiversity and environmental implications of the proposed appropriation. Members were advised that if appropriation was to be approved for

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this land, the land would still be classed as open space under the legislation. As such it would be included in the Parks & Open Space Strategy and, consequently, the biodiversity and environmental recommendations stemming from that Strategy dating September 2022 would be followed. These recommendations were reiterated to the Committee as follows:

- Recommendation 1 required a better understanding of the biodiversity of the open spaces within the Borough.
- Recommendation 3 required a clear approach to Biodiversity net gain and provision of a measurable approach to the management of the land.
- Recommendation 5 required identification of further carbon capture and natural capital gains.

The Bereavement Services Manager stated that a commitment to enhance biodiversity on the site and the wider local area had been made via the planning process and there were conditions attached to the planning permission for the land off Ipsley Church Lane to the effect of enhancing biodiversity.

Following the presentation, Members made a number of observations and asked a number of questions of Officers, which were answered as follows:

- Officers stated that it was the intention for the public right of way to remain through the land off Ipsley Church Lane following the completion of the cemetery.
- Officers stated that the Council's parks team could investigate the issue of blocked public right of access around or adjacent to the site on land off Ipsley Church Lane. One of the Members updated the Committee stating that the public footpath in question had been blocked by a local resident and the matter had been reported to the relevant ward councillor.
- Some Members observed that change of use to a cemetery would result in some restrictions to public access and enjoyment of the current site such as restrictions to the opening hours. A definition of open space in section 336 (1) of the Town and Country Planning Act 1990 was quoted by a Member as 'any land laid out as a public garden, or used for the purposes of public recreation, or land which is a disused burial ground' and it was noted that this definition implied that an in-use burial ground would thus not be classed as open space.
- Officers commented that completion of the cemetery and change of use of land to cemetery would not change the

# Overview and Scrutiny Committee

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designation of the land as open space under the National Planning Policy Framework or the relevant planning legislation as cemeteries remained open space in legal planning terms. Some Members commented that they disagreed with this.

- It was added that for Abbey Cemetery there was available for public access with restrictions to vehicular access only. It was the intention to provide a similar level of public access to the Ipsley Church Lane
- Some Members complained of the high water table on the land off Ipsley Church Lane, which would make burial at the site difficult in the winter season.
- Some Members also expressed concern that the use of part of the site for cemetery would be incompatible, in that it was a site of mourning, with the use of the rest of the area as a park and recreation area for enjoyment. Other locations were mentioned as more suitable for expansion of cemetery facilities.
- Some Members also added that they wished to read all 60 objections pertaining to loss of recreational space in full by Members before a decision on the matter was made by the Executive.
- With regards to paragraph 7.1 of the report, Officers clarified that the appropriation of the land would not have any impact on the Council's strategic purposes as there was evidence that there were other places within 1km radius of the land that would satisfy the public's need for open park space for enjoyment.

In the course of discussion, and based on the concerns outlined above, Councillor Khan put forward the following recommendation:

*“That Overview and Scrutiny Committee notes that Members have not been able to read the 60 letters of objection meaning that the Committee has insufficient information to enable proper scrutiny of this very important decision. The Overview and Scrutiny Committee therefore requests that the Executive Committee defers making the decision on this matter until all the letters have been provided to Members of the Overview and Scrutiny Committee for consideration at the next available meeting.”*

The Committee subsequently discussed in detail this recommendation and Officers explained that consultation on the proposed appropriation was open to all residents as the intention to appropriate was advertised in a newspaper with circulation in the local area, the Redditch Standard, and it was open for anybody to respond.



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In stating the support for the proposed recommendation, some Members reiterated that it was important for Members to have the full content of the objections available before a decision could be made on the matter. It was also stated that there should be greater consideration given to alternative sites.

In stating their opposition to the proposed recommendation, some Members argued that the objections received had been sufficiently summarised in the report and by Officers at the meeting to allow Members to scrutinise the matter and it was stated that as there was a total of 60 objections to the appropriation on the grounds of loss of recreational space out of the Redditch Borough population of circa 86,000, the level of objection was not proportionate enough to justify delaying the Executive Committee in making a decision on this matter.

Some Members also argued that given the existing burial space in the borough was estimated to only provide enough burial space for another two years, it was imperative that new burial space was found. Lastly, it was argued that it was not feasible to expand the Abbey Cemetery as it was next to an ancient scheduled monument and during the planning process it was reported that Worcestershire Archives and Archaeology Service would object to any expansion of the Abbey Cemetery. Works to enable the expansion of the Abbey Cemetery without disturbing the ancient monument were thought to incur costs that would not deem the expansion of the site value for money.

The recommendation proposed by Councillor Khan was put to the vote and on being put to the vote this recommendation proposed was lost.

Councillor Baker-Price then proposed the following recommendation:

*“That it be recommended by the Overview and Scrutiny Committee that the Executive Committee resolve that the Land off Ipsley Church Lane as detailed in appendix 1 be appropriated under section 122 (2A) of the Local Government Act 1972 for planning purposes”.*

On being put to the vote this recommendation was carried.

**RECOMMENDED that**

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**the Executive Committee resolve that the Land off Ipsley Church Lane as detailed in appendix 1 be appropriated under section 122 (2A) of the Local Government Act 1972 for planning purposes.**

The Meeting commenced at 6.30 pm  
and closed at 7.42 pm