

Scrutiny Committee

Agenda

Members of the Scrutiny Committee:

Cllr J Hornby (Chairman)
Cllr Y Bendle
Cllr B Duffin
Cllr J Rowe
Cllr J Wilby

Cllr J Halls (Vice Chairman)
Cllr B Bernard
Cllr J Easter
Cllr T Spruce

Date & Time:

Thursday 10 February 2022
9.30am

Place:

Council Chamber, South Norfolk House, Cygnet Court, Long Stratton, Norwich, NR15 2XE

Contact:

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PUBLIC ATTENDANCE:

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<https://www.youtube.com/channel/UCZciRgwo84-iPyRImsTCIng>

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If you have any special requirements in order to attend this meeting, please let us know in advance.

Public Speaking and Attendance at Meetings

All public wishing to attend to observe, or speak at a meeting, are required to register a request by the date / time stipulated on the relevant agenda. Requests should be sent to: committee.snc@southnorfolkandbroadland.gov.uk

Public speaking can take place:

- Through a written representation
- In person at the Council offices

Please note that due to the current circumstances with Covid19 and the need to socially distance the Council cannot guarantee that you will be permitted to attend the meeting in person. There are limited places in the Council Chamber and the numbers of public speakers permitted in the room will vary for each meeting.

All those attending the meeting in person are asked to sign in on the QR code for the building and arrive/ leave the venue promptly. The hand sanitiser provided should be used and social distancing must be observed at all times. Further guidance on what to do on arrival will follow once your initial registration has been accepted.

AGENDA

- 1. To report apologies for absence and to identify substitute members;**
- 2. Any items of business which the Chairman decides should be considered as a matter of urgency pursuant to section 100B(4)(b) of the Local Government Act, 1972.** Urgent business may only be taken if, “by reason of special circumstances” (which will be recorded in the minutes), the Chairman of the meeting is of the opinion that the item should be considered as a matter of urgency;
- 3. To receive Declarations of Interest from Members;**
(Please see guidance form and flow chart attached – page 5)
- 4. Minutes from the meeting of the Scrutiny Committee held on 19 January 2022;**
(attached at page 7)
- 5. 2022/23 Budget;**

Members of the Scrutiny Committee are invited to scrutinise the decisions made at Cabinet on 7 February 2022, which will be made available at the meeting. The recommendations of the Scrutiny Committee will be reported to Council on 22 February 2022.
 - a) Revenue Budget and Council Tax 2022/23**
(report attached – page 18)
 - b) Capital Strategy and Capital Programme 2022/23 to 2026/27**
(report attached – page 36)
 - c) Treasury Management Strategy Statement 2022/23**
(report attached – page 56)
- 6. Scrutiny Work Programme, Tracker and Cabinet Core Agenda;**
(attached – page 86)

Working Style of the Scrutiny Committee and a protocol for those attending

Independence

Members of the Scrutiny Committee will not be subject to whipping arrangements by party groups.

Member leadership

Members of the Committee will take the lead in selecting topics for and in questioning witnesses. The Committee will expect members of Cabinet, rather than officers, to take the main responsibility for answering the Committee's questions about topics, which relate mainly to the Council's activities.

A constructive atmosphere

Meetings of the Committee will be constructive, and not judgmental, accepting that effective overview and scrutiny is best achieved through challenging and constructive enquiry. People giving evidence at the Committee should not feel under attack.

Respect and trust

Meetings will be conducted in a spirit of mutual respect and trust.

Openness and transparency

The Committee's business will be open and transparent, except where there are sound reasons for protecting confidentiality. In particular, the minutes of the Committee's meetings will explain the discussion and debate, so that it could be understood by those who were not present.

Consensus

Members of the Committee will work together and, while recognising political allegiances, will attempt to achieve consensus and agreed recommendations.

Impartial and independent officer advice

Officers who advise and support the Committee will give impartial and independent advice, recognising the importance of the Scrutiny Committee in the Council's arrangements for governance, as set out in the Constitution.

Regular review

There will be regular reviews of how the overview and scrutiny process is working, and a willingness to change if it is not working well.

Programming and planning

The Scrutiny Committee will have a programme of work. Members will agree the topics to be included in the work programme, the extent of the investigation to be undertaken in relation to resources, and the witnesses to be invited to give evidence.

Managing time

The Committee will attempt to conclude the business of each meeting in reasonable time. The order of business will be arranged as far as possible to minimise the demands on the time of witnesses.

DECLARATIONS OF INTEREST AT MEETINGS

When declaring an interest at a meeting Members are asked to indicate whether their interest in the matter is pecuniary, or if the matter relates to, or affects a pecuniary interest they have, or if it is another type of interest. Members are required to identify the nature of the interest and the agenda item to which it relates. In the case of other interests, the member may speak and vote. If it is a pecuniary interest, the member must withdraw from the meeting when it is discussed. If it affects or relates to a pecuniary interest the member has, they have the right to make representations to the meeting as a member of the public but must then withdraw from the meeting. Members are also requested when appropriate to make any declarations under the Code of Practice on Planning and Judicial matters.

<p>Have you declared the interest in the register of interests as a pecuniary interest? If Yes, you will need to withdraw from the room when it is discussed.</p>
<p>Does the interest directly:</p> <ol style="list-style-type: none"> 1. affect yours, or your spouse / partner's financial position? 2. relate to the determining of any approval, consent, licence, permission or registration in relation to you or your spouse / partner? 3. Relate to a contract you, or your spouse / partner have with the Council 4. Affect land you or your spouse / partner own 5. Affect a company that you or your partner own, or have a shareholding in <p>If the answer is "yes" to any of the above, it is likely to be pecuniary.</p> <p>Please refer to the guidance given on declaring pecuniary interests in the register of interest forms. If you have a pecuniary interest, you will need to inform the meeting and then withdraw from the room when it is discussed. If it has not been previously declared, you will also need to notify the Monitoring Officer within 28 days.</p>
<p>Does the interest indirectly affect or relate any pecuniary interest you have already declared, or an interest you have identified at 1-5 above?</p> <p>If yes, you need to inform the meeting. When it is discussed, you will have the right to make representations to the meeting as a member of the public, but you should not partake in general discussion or vote.</p>
<p>Is the interest not related to any of the above? If so, it is likely to be an other interest. You will need to declare the interest, but may participate in discussion and voting on the item.</p>
<p>Have you made any statements or undertaken any actions that would indicate that you have a closed mind on a matter under discussion? If so, you may be predetermined on the issue; you will need to inform the meeting, and when it is discussed, you will have the right to make representations to the meeting as a member of the public, but must then withdraw from the meeting.</p>

**FOR GUIDANCE REFER TO THE FLOWCHART OVERLEAF.
PLEASE REFER ANY QUERIES TO THE MONITORING OFFICER IN THE FIRST
INSTANCE**

DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF



Agenda Item:4

SCRUTINY COMMITTEE

Minutes of a meeting of the Scrutiny Committee of South Norfolk District Council held on Wednesday 19 January 2022 at 9.30am.

Committee Members Present: Councillors: J Hornby (Chairman), Y Bendle, B Bernard, B Duffin, J Easter, J Halls and T Spruce

Apologies for Absence: Councillors: J Rowe and J Wilby

Substitute: Councillor: K Kiddie (for J Wilby)

Officers in Attendance: The Assistant Director for Regulatory (N Howard), the Senior Environmental Management Officer (A Old), the Senior Governance Officer (E Goddard) and the Committee Officer.

1296 MINUTES

The minutes of the meeting held on Wednesday 8 December 2021, were confirmed as a correct record.

1297 REVIEW OF ENVIRONMENTAL STRATEGY DELIVERY

Members considered the report of the Assistant Director for Regulatory, which sought to update the Committee on the effectiveness of the environmental strategy as well as progress made in achieving its outcomes. He also explained that amendments would need to be made to the environmental strategy in order to incorporate emerging developments/issues.

The Assistant Director for Regulatory then presented a verbal briefing to the committee based on the six themes of the environmental strategy and action plan:

Clean and Safe Environment

- Environmental Protection and Crime Prevention

Litter Picking

The Assistant Director for Regulatory advised that 17 litter picks had been carried out in 2020/21. He explained that due to Covid regulations fewer litter picks could be supported than originally planned. He added that normal service was expected to resume from April 2022, and that social media work was planned from March to May 2022 to increase public involvement.

Fly Tipping

The Assistant Director for Regulatory informed members that 890 incidents of fly tipping had been reported in 2020/21, he added that figures for 2021/22 were pending, however, incidents had been significantly lower in the first two quarters. He explained the mitigations which were to be implemented, including the establishment of a fly tipping focus team who would provide rapid response to new reports as well as patrol fly tipping hotspots across the district.

Members were then advised of the number of fixed penalty notices issued by the Council:

- 2018/19 – 1
- 2019/20 – 14
- 2020/21 – 14
- 2021/22 – 17 to date

The Assistant Director for Regulatory updated members on the enforcement work carried out by officers to date, which included:

- Multi-agency vehicle check days
- The recent high-profile conviction of a fly tipper
- Targeted campaigns

He then explained the future work planned by officers, which included:

- Education and awareness campaigns
- Proactive checks to identify unlawful waste carriers
- Intensive enforcement campaigns
- Localised surveillance focus

One member highlighted the need to educate residents on registered waste carriers, other members suggested that the Council compile a list of registered waste collectors which could be made easily available to the public. Another member noted that individuals and businesses also needed to be informed of the requirement to register as a waste collector as well as support to complete the necessary forms. The Assistant Director for Regulatory explained that a marketing campaign had been planned to cover this, as well as to invite individuals and businesses to the business support hub to provide one-to-one support.

In response to a query, the Assistant Director for Regulatory explained that the spike in fly tipping cases in 2020/21 could have been due to the lockdown, however, he also noted that the Council had changed its method of recording fly tipping cases which could account for some of the increase.

Some members felt that if it was clearer and simpler to dispose of waste that the number of fly tipping incidents would significantly decrease. Members suggested that the use of recycling centres (and what could be disposed there) should be publicised and that residents be provided with clear links to information on Norfolk County Council's website.

In response to a question, the Assistant Director for Regulatory explained that information on what could be disposed of in household waste and recycling bins would continue to be published in the 'Link' magazine, and that other communication methods were being considered.

Review of Fixed Penalty Notice Charges

Members were informed of the recent review of the fixed penalty notice charges, which were approved by Cabinet on 4 January 2022.

Environmental Crime Strategy and Joint Working

The Assistant Director for Regulatory updated members on the progress made with regard to the Environmental Crime Strategy and joint working, which included:

- Dedicated Environmental Enforcement Capacity established
- Clear strategic brief guiding close enforcement coordination
- Closer working with Norfolk Constabulary

Strategic Objectives for Anti-Social Behaviour

The Assistant Director for Regulatory advised members on the six strategic objectives.

1. Deploy a **lean and agile joined-up service** to incidents and reports of anti-social behaviour.
2. Adopt a **preventative early intervention approach**, where possible getting to and **tackling the underlying and root causes**, and a focussed strategic commitment.
3. Develop and **optimise close partnership working**, founded on solid and rounded collective awareness of ASB.
4. Closely **work with local people and ensure ASB services are delivered with and not to them**, recognising the shared community responsibility for building strong communities.
5. Focus **programmed, intelligence-led and targeted operational ASB activity** in support of tactical planning, aims and objectives arising over time.

6. Drive down avoidable and wasteful demands, impacts and costs on public services, local communities and community assets.

He further advised that cross working was established with the Communities Team to tackle crime relating to anti-social behaviour.

- **Land Quality**

The Assistant Director for Regulatory informed members that updated guidance was being produced to educate developers and consultants on what they had to submit (in terms of a sustainability statement or delivery statement) with their planning applications. He added that this guidance would be provided to developers and placed on the Council's website in quarter 4 of 2021/22.

Members were also informed of heating oil projects which had been planned for quarter 1 of 2022/23. The Senior Environmental Management Officer explained several reports had been received of oil spillages from oil heating tanks, she advised the committee of the serious environmental impact and costs associated with oil spillages, which were often a result of poor maintenance, vandalism or theft. She then advised the committee of the campaign to check the condition of resident's tanks, with the aim of reducing the number of oil spillages within the district. Members were informed of one case, where the resident had been displaced for 18 months due to the damage caused to their property by an oil tank spillage.

Members supported the campaign and its aim to prevent further oil spills but noted that many low-income households relied on oil heat as a cheaper source of heating, many members felt that replacement oil tanks or alternative heat sources would be too expensive. They suggested that officers investigate the availability of grants for the replacement of oil tanks.

After further discussion, which included alternative sources of heating, in particular green sources such as ground source heating, members suggested that officers utilise social media platforms to publicise green sources of heating to residents.

- **Water Quality and Management**

The Assistant Director for Regulatory advised the committee of the education which was to be provided to developers and consultants in terms of the water efficiency standard, he explained that this work was to be carried out as part of the Greater Norwich Local Plan, which was likely to be adopted in 2022.

Members were then informed that the Flood and Water Management Officer role and capacity had been expanded and that a full programme of work and priorities was to be developed in 2022.

Sustainable Communities

- **Climate Change adaption**

The Assistant Director for Regulatory advised the committee that this area of the environmental strategy was in development, and that to date Emergency Planning Officers had been working with Parish and Town Councils to develop and review their community resilience plans. Members were then informed of the planned programme of work that the new Flood and Water Management Officer would undertake in 2022/23, which included:

- High profile campaigns, eg, Ditchingham flood gates and flood preparedness
- Raise awareness of the need of property level adaptations
- Promote the use of sustainable drainage systems in new developments
- Promote the use of gel flood bags in addition to sandbags
- Proactive campaigns to focus on rainwater conservation and reuse, extreme weather and drought

One member referred to the ditch walking scheme, which was trialled in Long Stratton, and highlighted the need to aid residents in the maintenance of their ditches. The Assistant Director for Regulatory explained that the trial sought to inform and educate riparian owners on their responsibilities, not vilify and punish owners. He further assured members that enforcement action would only be taken where strictly necessary. Some members discussed the local knowledge of residents as well as Parish and Town Councils with regard to local flooding issues and it was suggested that volunteer flood wardens be appointed to assist the Flood and Water Management Officer and report flooding in the early stages. The Senior Environment Management Officer advised that the suggestion of flood wardens had been raised at the county level and was due to be discussed at the Norfolk Flood Group (chaired by the Council's Managing Director).

The conversation turned to community resilience plans, where members stressed the need for officers to provide training to Parish and Town Councils on the development and review of their plans. The Assistant Director for Regulatory confirmed that additional training sessions would be advertised shortly.

- **Planning Policy**

The Assistant Director for Regulatory explained that a local plan policy aimed at mitigating and adapting to climate change was being

implemented as part of the Greater Norwich Local Plan. He added that this planning policy would require that:

- All new developments will provide a 19% reduction against Part L of the 2013 Building Regulations
- Appropriate non-housing developments of 500m² or above will meet the BREEAM “very good” energy efficiency standard, or any equivalent successor.

The Assistant Director for Regulatory noted that the number of non-housing developments over 500m² achieving BREEAM “very good” was not yet quantifiable, he added that officers were investigating alternatives which would be quantifiable.

- **Green Infrastructure and Biodiversity**

The Assistant Director for Regulatory informed members on the progress made to date as well as the future work planned, which included:

Progress to date

- External funding obtained to increase the delivery of green infrastructure projects
- South Norfolk Council acquired the Queens Hill Country Park
- Opportunities were being taken to promote tree planting within the district, such as tiny forests, offer of trees to residents

What's planned

- Council due to commission a Green Infrastructure Strategy
- 10% biodiversity net gain was to become mandatory with the adoption of the Environment Act 2021
- The current lack of resource prevented the delivery of a number of projects. Officers to look at appointing a graduate apprentice to develop and deliver a range of energy, tree planting and biodiversity projects

One member felt that public perception was that tree planting initiatives were driven solely by Norfolk County Council and that residents were not aware of the hard work undertaken by the District Council and its officers. Members suggested that the work of the Council in planting trees be promoted.

With regard to the suggestion to appoint a graduate apprentice, members supported the suggestion and added that a dedicated Tree Planting Officer also be appointed to manage the tree planting schemes and investigate opportunities for grants and additional schemes.

Energy Efficiency

- **In-House Emissions**

The Assistant Director for Regulatory advised the committee that a baseline had been calculated in a carbon footprint report (the Carbon Audit), he added that the findings of the Carbon Audit were due to be presented to all members at a future informal briefing. The Senior Environmental Management Officer provided an overview of the findings to the committee and advised that the emissions figures for South Norfolk Council were good compared to other Authorities – although she noted it was not possible to carry out a like-for-like assessment. She added that the Carbon Audit determined that the main producers of emissions were:

- The diesel fleet
- Gas and oil heating

Diesel Fleet

The Assistant Director for Regulatory informed the committee that a trial was planned to switch part of the fleet to HVO (Hydrotreated Vegetable Oil) fuel. He explained that following the trial a full assessment would be carried out to look at transferring the entire fleet to HVO fuel. It was estimated that it would cost the Council approximately £150,000 to switch the entire fleet the HVO fuel.

In response to a question, the Assistant Director for Regulatory confirmed that the Council collected vegetable oil, and that collection points could be found at main recycling points across the district.

Gas and Oil Heating

The Senior Environmental Management Officer advised the committee that South Norfolk House utilised gas and oil heat sources to heat the office. She explained that plans were in place to compartmentalise office areas when unoccupied to reduce heating costs and consumption of fuel. She added that longer-term work would be carried once the future accommodation of the One Team had been determined.

Members were then advised that a range of measures were being put in place to improve the Council's carbon emissions, this included building solar generation on the roofs of the leisure centre, and a planned move to a green energy supplier (pending the contract renewal date).

- **Supporting our Residents and Communities**

Members were advised of the work undertaken to date, to support residents and communities; this included the proactive enforcement of private sector minimum energy efficiency standards, and an increase in renewable energy production across the district. The Assistant Director for Regulatory then informed the committee on the number of residents

supported and homes improved through council organised or promoted schemes from April to September 2021:

- 27 grants for large energy efficiency measures
- 7 boilers, 1 high heat retention storage heater, 5 air sourced heat pumps, 13 insulation measures
- 226 registrants for big community switch
- 397 registrations for solar together

Waste Minimisation

- Waste Collection Service

Recycling

The Assistant Director for Regulatory informed the committee of the recycling rates for 2019/20 and 2020/21

- 2019/20 – 42.5%
- 2020/21 – 41.8%

He explained that despite the percentage decrease, the total tonnage had actually increased by approximately 2,500 tons in 2020/21, it was noted that the increase in recycling rates coincided with the Covid lockdown and a change in residents' patterns.

One member noted the reoccurring issue of the contamination of recycling and suggested that ongoing education and publicity was needed. The Assistant Director for Regulatory replied that awareness campaigns had been planned to educate and promote correct recycling.

Garden Waste

Members were advised of the garden waste recycling tonnage between 2018-2021, which amounted to:

- 2018/19 baseline: 9,762 tons
- 2019/20: 10,272.77 tons
- 2020/21: 11,162.85 tons

One member felt that as a large proportion of fly tipping cases involved garden waste, it would be beneficial to the Council to encourage the uptake of garden waste bins, and to offer a discount for second bins. Several members supported the suggestions, and the Assistant Director for Regulatory confirmed he would refer the suggestion to the Assistant Director of Community Services, along with the following questions from members.

- Was it economical for the Council to provide a garden waste collection service for 12 months a year?
- Had demand for garden waste bins increased from previous years?

- **Reducing Single-use Plastics**

The Assistant Director for Regulatory explained that the facilities team oversaw the contracts which involved the purchase of single-use plastics within the Council, and that procurement contract renewal work was planned for 2022.

Transport

- **Sustainable Transport**

The Assistant Director for Regulatory updated the committee on the progress made towards the delivery of sustainable transport, he advised that there had been an increase in the percentage green commuter journeys and that there was a Transport Strategy linked to the Greater Norwich Local Plan. The Senior Environmental Management Officer acknowledged that there were areas of the district with a lack of transport links. It was also noted that Covid had impacted the use of public transport.

With regard to the taxi fleet, the Senior Environmental Management Officer explained that updated licensing data on the uptake of ultra-low emission vehicles within the fleet was being obtained.

- **Staff Travel**

Members were advised that electric vehicle charging points were being installed at a number of council owned carparks, and that new developments were required to provide charging points. He added that it was planned to establish an Electric Vehicle Charging Point Strategy, the need to establish a sufficient charging infrastructure for electric vehicles to be viable was noted. One member felt that Hydrogen powered vehicles and infrastructure should be prioritised. The Assistant Director for Regulatory explained that Hydrogen was considered to be a next generation fuel source, as such there was no Government guidance on the use of Hydrogen fuel. The Senior Environmental Management Officer added that research on Hydrogen fuel was due to be carried out at a country-wide level.

The Assistant Director for Regulatory informed the committee of the new car leasing scheme for staff which was introduced in April 2020 and included options for electric and hybrid vehicles. He added that a review of the uptake of the scheme was scheduled in the future.

Members were then advised of the measures to reduce staff mileage. The Assistant Director for Regulatory explained that officers were working with Liftshare to assess the Council's commuting data, he added that further work was planned to identify scope to reduce staff commuting levels.

Members queried whether the proposed office accommodation move would increase officers' journeys. The Assistant Director for Regulatory explained that the majority of staff were spread across the county (or outside of the county) and so any move would be unlikely to impact the commute into the office.

In response to a question, the Senior Environmental Management Officer explained that staff could claim for an enhanced rate of mileage if they had car sharing passengers (additional 5p per passenger), the Assistant Director for Regulatory added that passengers could not make mileage claims as they did not bare the fuel costs.

Sustainable Procurement

- **Sustainable Procurement Strategy**
The Assistant Director for Regulatory advised members that progress on the delivery of this theme was pending a wider procurement review and partnership working exercise, he added that officers were working with procurement and utilising the new procurement strategy to maximise sustainability and carbon emission reductions when re-contracting.

Conversation turned to the recommendation for the investigation of extra resources to strengthen capacity to deliver the Council's Environmental Strategy. The committee expressed its support for the investigation to be carried out.

The Chairman summarised the suggestions of the Scrutiny Committee, listed below.

Suggestions of the Scrutiny Committee

- Compile a list of registered waste collectors that the public could be directed to.
- Investigate possible grants for the replacement of oil tanks.
- Utilise social media platforms to publicise green sources of heating
- Publicise the use of recycling centres, including links to Norfolk County Council's website
- Further assistance and training for Parish and Town Councils on Community Resilience Plans
- Promote the work of South Norfolk Council in planting trees
- That the Council recruits a dedicated tree planting officer
- The Council consider a reduction in charges for second garden waste bins
- Investigate methods of encouraging the uptake of garden waste bins

The Committee commended officers on their excellent hard work and after further discussion, it was

RESOLVED

To

1. Note the Contents of the report
2. Recommend that the suggestions outlined by the Committee (see above) are considered by officers and reported back to the Scrutiny Committee in 12 months, alongside an update/progress report on the effectiveness of the 2020-2025 Environmental Strategy and assessment of outcomes achieved
3. Recommend to officers the investigation of extra resources to strengthen capacity to deliver the Council's Environmental Strategy, as outlined in the conclusions of the report.

1298 SCRUTINY WORK PROGRAMME, TRACKER AND CABINET CORE AGENDA

The Committee noted the Work Programme and Cabinet Core Agenda.

The Chairman updated the Committee on the Member ward grant – spend review, and advised that Cabinet had resolved to allocate any underspend of the member ward grant to the next financial years Community Action Fund budget.

(The meeting concluded at 11.49am)

Chairman

REVENUE BUDGET AND COUNCIL TAX 2022/23

Report Author(s): Rodney Fincham, Assistant Director - Finance
t [01508 533982](tel:01508533982)
e rodney.fincham@southnorfolkandbroadland.gov.uk

Portfolio Holder: Finance & Resources

Ward(s) Affected: All wards

Purpose of the Report: This report provides information affecting the Council's revenue budget for 2022/23 in order for the Cabinet to make recommendations to Council on 22nd February regarding the Council's budget and council tax for 2022/23.

Recommendations:

- 1 That Cabinet recommends to Council:
 - 1.1 The approval of the 2022/23 base budget; subject to confirmation of the finalised Local Government Finance Settlement figures which may necessitate an adjustment through the General Revenue Reserve to maintain a balanced budget. Authority to make any such change to be delegated to the Assistant Director of Finance.
 - 1.2 That the Council's demand on the Collection Fund for 2022/23 for General Expenditure shall be £8,485,950 and for Special Expenditure shall be £7,366.
 - 1.3 That the Band D level of Council Tax be £165.00 for General Expenditure and £0.14 for Special Expenditure.
- 2 That Cabinet agrees:
 - 2.1 Changes to the proposed fees and charges as set out in section 5.
- 3 That Cabinet notes:
 - 3.1 The advice of the Section 151 Officer with regard to section 25 of the Local Government Act 2003, contained in section 10 of this report.
 - 3.2 The Medium-Term Financial Strategy projections.

1 SUMMARY

- 1.1 It is the responsibility of the Cabinet to prepare a revenue budget for approval by Council. Based on consideration of the information in this report, Cabinet needs to make recommendations to the Council meeting in February where the council tax, including the element relating to preceptors, will be decided.
- 1.2 This report presents a summary of the Council's draft 2022/23 Revenue Budget and contains details of the proposed fees and charges for 2022/23.
- 1.3 This report is divided into a number of sections that as a whole cover the various elements that need to be considered when setting the Council's budget for the coming year and the council tax for the District.

Section 2	Revenue Budget Requirement 2022/23
Section 3	Local Government Finance Settlement
Section 4	Budget Consultation
Section 5	Fees & Charges
Section 6	Medium Term Financial Strategy
Section 7	Reserves
Section 8	Council Tax
Section 9	Special Expenses
Section 10	Advice of Chief Finance Officer / Section 151 Officer.

2 REVENUE BUDGET REQUIREMENT 2022/23

- 2.1 The proposed revenue budgets and associated Delivery Plan seek to advance the Council's priority areas:
- Growing the Economy
 - Supporting individuals and empowering communities
 - Protecting and improving the natural and built environment, whilst maximising quality of life
 - Moving with the times, working smartly and collaboratively.

- 2.2 The draft budget requirement for 2022/23 is summarised in the following table.

	Pay £'000	Non Pay £'000	Income £'000	Net £'000
Chief of Staff	1,739	1,907	-539	3,107
Resources	2,601	3,731	-478	5,854
Place	4,684	2,849	-6,219	1,314
People & Communities – Leisure	1,945	1,726	-2,724	947
People & Communities - Other	6,162	20,311	-22,778	3,695
Net Cost of Services (Including HB)	17,131	30,524	-32,738	14,917

- 2.3 A more detailed breakdown is shown in **Appendix A**, and the main changes to the base budget are as shown in **Appendix B**. All spending areas have been reviewed to ensure that there are appropriate budgets for service areas, and these accord with the Delivery Plan.

Staffing Costs

- 2.4 The proposed budget includes provision for a cost of living rise of 2% in 2022/23. It also includes £300,000 for performance related pay. Staff terms and conditions are determined under local pay bargaining arrangements, and negotiations are currently ongoing.
- 2.5 Within the staffing budgets, most areas have either a static establishment, or a small reduction where savings have been generated via the One Team savings programme. The only significant change (as agreed by Cabinet on 19 July 21 – Skills and Training Project report) is that the Council has now increased its vacancy factor from 2% to 3.5% (which is in line with historical experience), and has used this change to fund an increase in the number of apprenticeship posts that it will offer.
- 2.6 Members will also be aware of a number of temporary additional roles to support the Council's Covid response. These are being fully funded from Covid grant monies and do not represent any additional cost to the Council.

Community Infrastructure Levy (CIL)

- 2.7 CIL is not included within the Council's revenue budget as it relates to funding for infrastructure and is accounted for separately to the Council's revenue budget, with the exception of the agreed 5% proportion for administration of the scheme by the Council, which is estimated to be £328,000 in 2022/23 (£250,000 in 2021/22). However, it is difficult to predict with certainty the level of income from CIL as it depends upon the commencement of the Development.

Joint Working

- 2.8 As a result of the joint working with Broadland, the workforce operates as 'one team' supporting two councils. Some staff are still fully charged to one authority (for instance all leisure staff are charged to SNC as only SNC operate leisure centres). However, all joint costs have been split SNC 55% / BDC 45% since 1 January 2020.
- 2.9 In order to monitor the savings from the joint working with Broadland, a Cost and Saving Tracker is maintained, and progress against this is monitored as Measure 1 within the Strategic Performance and Finance Report. All the savings delivered to date have been built into the 2022/23 budgets.

COVID Budgets

- 2.10 Covid continues to have impacts on our residents, businesses and our operations. No new additional Covid budgets have been included for 2022/23. However it is likely that some of the budgets allocated to support our Covid response in the current year will be carried forward as a number of our support programmes will be continuing.

Refuse Services

- 2.11 Within the 2022/23 Budget we have included:
- A new domestic waste round and a new recycling round to cope with the increase in property numbers.
 - An allowance for MRF processing costs of £680,000. However given that the agreement is now for a variable gate fee the actual costs will vary from this figure.

Leisure Services

- 2.12 Leisure services are an important contributor to public health and general wellbeing. The service provided by SNC is valued, and is seen as an important element of the Council's overall service provision.
- 2.13 Over the past few years the Council has invested over £8.3m in the leisure facilities and prior to Covid the number of leisure users had been rising with almost a million visits in 19/20. The Council had also made substantial progress towards its aim of delivering a cost neutral service - ie where the income from running the facilities, fully covers the running costs, without needing a subsidy from the general council taxpayer.
- 2.14 The leisure service was however hit hard by the enforced closures of the leisure centres due to Covid, and user numbers are only now slowing returning to pre-pandemic levels.
- 2.15 As such last year the Council agreed to financially support the leisure service in the short term with a target that the service will require no more than £2.5m of support over the 3 year period 21/22, 22/23, 23/24. Despite a difficult year with Covid still impacting the service, the anticipated draw on this reserve for 21/22 is less than had been anticipated at the start of this financial year. This is as a result of a stronger recovery than anticipated, with performance currently at the highest level of the three scenarios modelled.

3 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 3.1 The Provisional Local Government Finance settlement for 2022/23 was announced on 16th December 2021.
- 3.2 The Final Local Government Financial settlement will be announced in the coming weeks and officers will provide a verbal update to the Cabinet meeting if information is available at that time. It is proposed that any changes from the provisional settlement are managed through reserves, so as not to impact on Council Tax setting and that this is delegated to the s151 Officer.

Grant Figures

- 3.3 The following table shows the key grant figures.

	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000	22/23 £'000
Business Rates Baseline (Note 1)	10,580	10,846	11,788	11,275	11,275	11,275
Business Rate Tariff	-7,665	-7,843	-8,431	-8,154	-8,154	-8,154
Baseline Need	2,915	3,003	3,357	3,121	3,121	3,121
New Homes Bonus	4,390	3,838	3,941	4,522	3,577	2,093
Services Grant (Note 2)						215
Lower Tier Services (Note 3)					447	1,238
Revenue Support Grant	832	417				1
Rural Services Grant					299	299
Total	8,137	7,258	7,298	7,643	7,444	6,967

Note 1: The Business Rates baseline is the predicted / reference level of Business Rates that the authority is expected to retain. This is different to the actual amount retained which includes a proportion of the growth in business rates.

Note 2: Services Grant is a new one off grant in 22/23.

Note 3: The Lower Tier Services Grant was announced as a one off grant for 21/22, but has been continued into 22/23.

- 3.4 The above table demonstrates the Councils reliance on Business Rates income and new homes bonus.

Business Rates Income

- 3.5 The Norfolk local authorities participated in a business rates retention pool in previous years. Any additional retained growth from pooling was allocated to a Norfolk wide 'Joint Investment Fund' which was used to fund projects across Norfolk.
- 3.6 In 2021/22, due to the risk of a significant drop in Business Rate income due to Covid, no retention pool was formed.
- 3.7 For 2022/23 a business rates retention pool has again been formed. However rather than all gains being allocated to a Norfolk wide 'Joint Investment Fund' this time any gains will be shared between the authorities.

New Homes Bonus Grant

- 3.8 The provisional allocation for 2022/23 is £2,092,501 of which £35,840 relates to the Affordable Homes Premium (128 x £350 x 80%). The New Homes Bonus Grant for 2021/22 was £3,577,209.
- 3.9 The Government is still due to report back on the consultation it carried out in April 2021, on the future of this housing incentive. The indication is that this change will include moving to a new, more targeted approach which is aligned with other measures around planning performance. A new approach is a risk for this Council within the medium-term financial plan.

Services Grant

- 3.10 The Government is introducing a one-off Services Grant in 2022/23. The Government says that the new grant provides funding to all tiers of local government in recognition of the vital services delivered at every level of local government. It includes funding for local government costs for the increase in employer National Insurance Contributions. The Government intends this to be a one off grant for 2022/23.

Lower Tier Services Grant

- 3.11 Although this was announced as a one off grant for 21/22, this has been continued into 22/23. However the Government has stated this is again only a 1 year grant.
- 3.12 In particular it needs to be noted that £1,098,000 of this grant represents a 'Cash Funding Floor Component'. This element is essentially a top up to ensure that this Council's funding levels remains close to 21/22 levels.

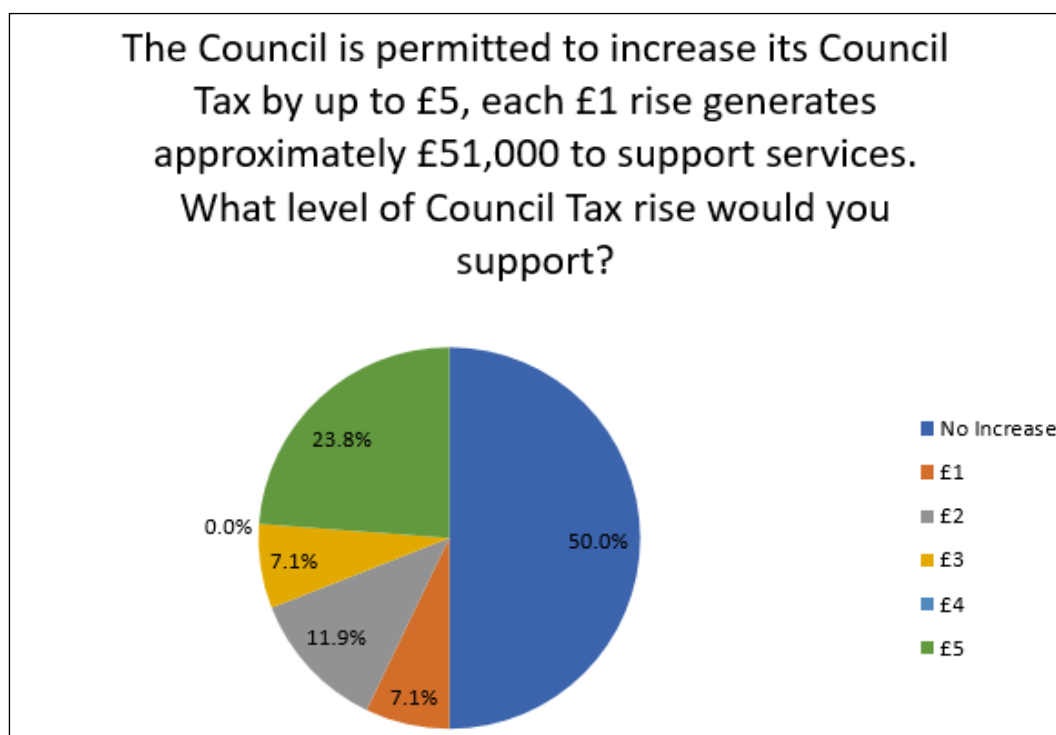
Service Specific Grants

- 3.13 The Council continues to receive Housing Benefit Administration Grant for the administration on Housing Benefit. However, this is reducing over time as the benefit moves over to Universal Credit.

- 3.14 The Council will receive £229,037 in Homeless Prevention Grant in 2022/23 (2021/22 222,450).

4 BUDGET CONSULTATION

- 4.1 The Council undertook a budget consultation via its website between 9 December 2021 and 17 January 2022. The consultation was promoted on our website and via twitter.
- 4.2 The consultation received 43 responses. Although this is a higher number of responses than in recent years, it still may not be representative of the population.
- 4.3 The key messages from this year's budget consultation exercise are:
- There was 71% support to target resources primarily on those most in need.
 - There was 69% support to investing in commercial ventures.
 - There was 64% support for targeting resources to encourage business growth.
 - There was 79% support for charging service uses for discretionary services, as opposed to charging general taxpayers.
- 4.4 Regarding increasing council tax there was a range of responses as follows:



5 FEES AND CHARGES

- 5.1 In line with the Council's Charging Policy (as amended) [see note below], it is proposed to increase most discretionary fees and charges this year in line with inflation. This year fees will be increased by between 3% and 4.9%. 4.9% being the September RPI figure.

[SNC Charging Policy Note:

Cabinet on 24 October 16 agreed a charging policy which stated:

all fees or charges are increased by the level of inflation (as measured by the Retail Prices Index in December)

However, this was amended by Cabinet on 4 Feb 19 so
that future increases to fees and charges will be linked to the September Retail Price Index each year.]

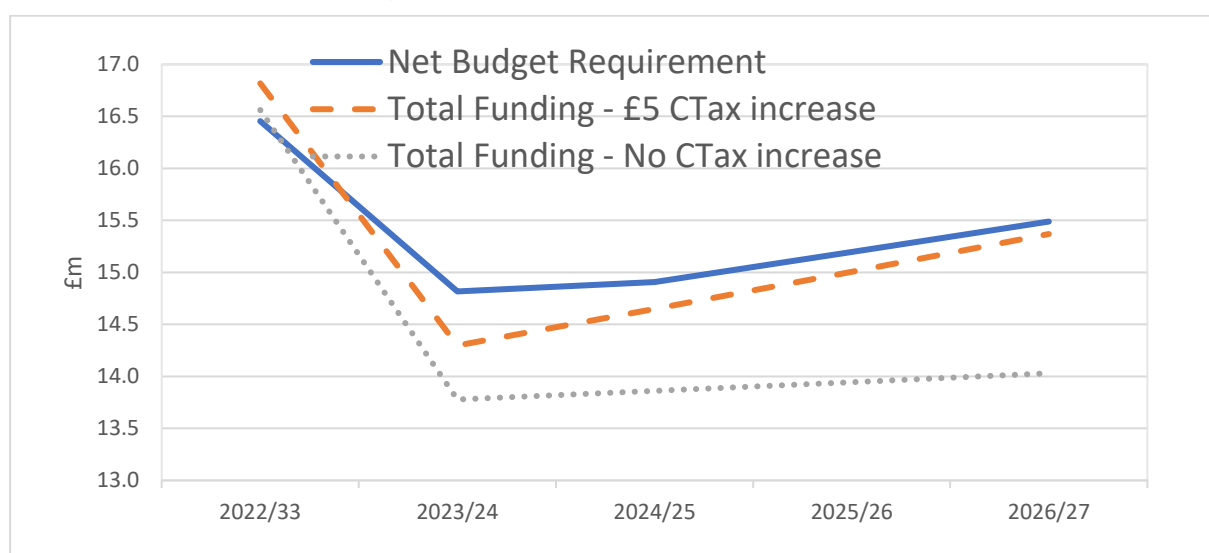
Garden Waste Brown bin

5.2 The proposed Garden Waste Brown bin charges are as follows:

	21/22 charge	22/23 Proposed Charge
Direct Debit customers	£50.75	£53.00
Non-Direct Debit Customer	£56.90	£60.00
Re-joining Fee	N/A	£20.00

6 MEDIUM TERM FINANCIAL STRATEGY

6.1 The following graph shows the Council's projected Net Budget Requirement compared to the predicted Total Funding over the next few years.



- 6.2 **Appendix C** provides the Medium-Term Financial Plan (MTFP) figures supporting this graph.
- 6.3 This shows that the Council should be able to deliver a balance budget in the medium term, provided Council Tax rises are implemented.
- 6.4 The primary reason for the reduction in funding in 23/24 is the expected reduction in new homes bonus grant after this year, and the cessation of the one off Government Grants.
- 6.5 The figures in the plan are based on the 2022/23 Local Government Finance Provisional Settlement. Future year funding figures are uncertain due to the Government's ongoing funding review, which is expected to be consulted on in 2022/23 and introduced for 2023/24.
- 6.6 The Council has benefited from growth in Business Rates income. Changes to the Business rates retention scheme are expected in 2023/24. However as yet we do not know what impact these will have on the Council.
- 6.7 The likely reduction in future funding and the need to finance the 5-year capital programme are key reasons why it is recommended to increase the 2022/23 Council

SNC

Tax. Increasing Council Tax protects the Council's income base and helps deliver a balanced budget in future years. The additional income in 2022/23 is part of a wider plan on financing the Council's ambitious 5-year capital programme and reduces the amount of external borrowing required.

Borrowing

- 6.8 Future years' capital programmes will be funded partly through borrowing. The exact timing of borrowing depends upon the progress and phasing of the Capital Programme and the level of revenue reserves. This will initially be internal borrowing from the Council's own cash balances; future external borrowing must be affordable within the context of the revenue budget. Nevertheless, while interest rates remain low there is a case for borrowing on a fixed interest rate basis if the income generated from an investment clearly exceeds the cost of financing.
- 6.9 Since the introduction of the 'Prudential framework' in 2004, Councils have been able to borrow without restriction / prior approval provided they believe the borrowing to be prudent and affordable. However in recent years, Government and CIPFA have raised concerns about excessive borrowing by some councils to fund commercial ventures, and it is now not possible to borrow from the PWLB primarily for commercial gain. Furthermore, in July 21 MHCLG published a policy paper stating, 'we are reviewing the statutory powers for capping borrowing and considering how and when we will apply these to protect local financial sustainability'. Although there does not appear to be an imminent threat to restrict access to borrowing for local authorities, this does need to be recognised as a potential risk.

7 RESERVES

General Revenue Reserve

- 7.1 The impact of the proposed revenue budget and the capital programme on the General Revenue Reserve is shown in the table below:

	£'000
Estimated Balance as at 1 April 2022 (excluding potential underspend in 21/22)	7,806
Annual Surplus	363
Projected balances as at 31 March 2023	8,169
Funding Gap	-519
Projected balances as at 31 March 2024	7,650
Funding Gap	-260
Projected balances as at 31 March 2025	7,390

- 7.2 The projected General Fund Balance remains above the recommended level of £1.4m.

8 COUNCIL TAX

Taxbase

- 8.1 The projected tax base for 2022/23 is 51,430 (Band D equivalent households). The projected tax base has increased by 2.4% compared to the tax base in 2021/22. This is due to housing growth in the District and officers working to identify new properties as soon as they are taxable.

Council Tax Referendum limit

- 8.2 As a shire district council authority, the Council is allowed to raise its Band D Council Tax by the greater of £5 or 2% without breaching the Council Tax Referendum limit.
- 8.3 Under the Localism Act, local communities have the power to decide if a Council Tax rise is excessive. Any district council that wishes to increase its Council Tax beyond the prescribed limit is required to hold a referendum to seek the approval of the electorate. The process of holding a referendum would have implications on cash flows and investment interest, as well as costing in excess of £150,000.

SNC Council Tax

- 8.4 It is proposed that South Norfolk Council increases its Council Tax for a Band D property from £160.00 to £165.00 for 2022/23. This equates to a 3.125% rise.
- 8.5 The Council Tax is calculated by taking the total income to be collected (£8,485,950) and dividing this by the Taxbase (51,430).

Norfolk County Council (NCC)

- 8.6 NCC have the option of increasing their Council Tax by 2%, plus an additional 1% Adult Social Care Precept (plus any social care precept rise not used in 21/22). The actual increase is yet to be confirmed.

Police and Crime Panel

- 8.7 The Police and Crime Panel have the option of increasing their Council Tax by £10. The actual increase is yet to be confirmed.

Parishes

- 8.8 At the time of writing, parish precepts for 2022/23 were still being set. A full list of precepts will accompany the Council Tax report to Full Council. South Norfolk Council has no influence over the level of these precepts.
- 8.9 For 2022/23, the Government has again decided not to apply any thresholds for Council Tax increases set by Parish and Town Councils, which if exceeded would trigger a referendum.
- 8.10 Officers will use the information provided by the preceptors in producing the Council Tax resolution for the Full Council meeting on 22nd February.

9 SPECIAL EXPENSES

- 9.1 Where a Parish/Town Council requires this Council to run specific services, then the cost is recouped through the special expense's mechanism. For SNC this only relates to street lighting in Costessey and Gillingham.
- 9.2 The amount to be collected in Special Expenses has been increased by 2.4%, to reflect the level of running costs expected in individual parishes. However as the number of properties in Gillingham has increased, the charge per property actually falls.

9.3 The Band D charges being proposed are as follows:

	21/22 Band D C Tax	22/23 Band D C Tax
Costessey	£0.91	£0.92
Gillingham	£8.82	£8.63

9.4 The Council also operates a number of streetlights in the Council car parks. The maintenance of these are paid for by SNC out of its budgets.

10 ADVICE OF THE SECTION 151 OFFICER

10.1 The Local Government Act 2003 places two specific requirements on an authority's Section 151 (s151) Officer in determining the Council's budget and Council Tax. Under section 25, the s151 Officer must advise firstly on the robustness of the estimates included in the budget, and secondly on the adequacy of the financial reserves.

10.2 **Appendix D** contains the full advice of the s151 officer on these matters.

10.3 In summary the advice is:

- Overall, in my opinion the budget has been based on a reasonable set of assumptions with due regard to the risks and is therefore robust.
- Assuming Cabinet and Council agree the revenue budget as set out in this report, then in my opinion the level of reserves is adequate for known and potential risks at this time.

Section 114

10.4 The Section 151 Officer is also required by section 114 of the Local Government Finance Act 1988 to report to Members if it appears that the expenditure the authority proposes to incur in a financial year is likely to exceed the resources available to it to meet that expenditure.

10.5 Section 114 notices are rare, and the advice of the Section 151 Officer is that the possibility of such a notice being required at South Norfolk Council is very remote at the present time.

11 OTHER OPTIONS

11.1 Cabinet can propose an alternative revenue budget, capital programme and Council Tax to Council, subject to the advice of the s151 Officer on the prudence and robustness of the budgets.

12 ISSUES AND RISKS

12.1 Resource Implications – These budget proposals set out the resource plans for the Council during 2022/23.

12.2 There are always a number of unknown variables at the time of setting the budget. Where this is the case, officers have made prudent estimates based on the most up to date information available.

SNC

- 12.3 Legal Implications – The Council has a legal duty to set a balanced budget
- 12.4 Equality Implications – The budget contains reductions in spending without impacting on the level of service that our residents presently receive – for instance as a result of the joint working with Broadland Council. There are also increases in fees and charges, with discounts available for some services to residents on low incomes. Officers believe that this budget presents no significant negative impact on those who share protected characteristics as defined in the Equality Act 2010.
- 12.5 Environmental Impact - The budget will allow the Council to deliver its statutory duties in respect of the environment.
- 12.6 Crime and Disorder - The budget will allow the Council to deliver its statutory duties in respect of the community safety.

13 CONCLUSION

- 13.1 The proposed 2022/23 revenue budget is balanced and provides for £364,000 to be added to balances. This is subject to the final Government Finance Settlement figures not changing substantially from the provisional figures.
- 13.2 The Council Tax is proposed to increase from £160.00 to £165.00 for 2021/22 for a band D property.
- 13.3 Further increases of £5.00 each year are assumed in future years for the purposes of the Medium-Term Financial Strategy.
- 13.4 Fees and charges have been increased for service areas and commercial activities.
- 13.5 Over the next few years, the level of Government funding is expected to continue to decrease, however the Council is in a strong financial position.
- 13.6 The financing of the 5-year capital programme and the likely reduction in future funding are the key reasons why it is recommended to increase the 2022/23 Council Tax. Increasing Council Tax protects the Council's income base and helps deliver a balanced budget in future years.
- 13.7 There is increased financial risk while future changes to the funding formula and business rates are still under discussion. The amount of the New Homes Bonus remains a major risk and is to subject to further Government reforms and the successful delivery of enough new homes.

14 RECOMMENDATIONS

- 1 That Cabinet recommends to Council:
 - 1.1 The approval of the 2022/23 base budget; subject to confirmation of the finalised Local Government Finance Settlement figures which may necessitate an adjustment through the General Revenue Reserve to maintain a balanced budget. Authority to make any such change to be delegated to the Assistant Director of Finance.

- 1.2 That the Council's demand on the Collection Fund for 2022/23 for General Expenditure shall be £8,485,950 and for Special Expenditure shall be £7,366.
 - 1.3 That the Band D level of Council Tax be £165.00 for General Expenditure and £0.14 for Special Expenditure.
 - 2 That Cabinet agrees:
 - 2.1 Changes to the proposed fees and charges as set out in section 5.
 - 3 That Cabinet notes:
 - 3.1 The advice of the Section 151 Officer with regard to section 25 of the Local Government Act 2003, contained in section 10 of this report.
 - 3.2 The Medium-Term Financial Strategy projections.
-

Background Papers

Delivery Plan

APPENDIX A: REVENUE BUDGET REQUIREMENT 2022/23

	FTE	Pay £'000	Non Pay £'000	Income £'000	Net £'000	Prior Yr FTE	Apprentice Adjust	21/22 Budget £'000
Chief of Staff								
Executive Team	4.4	436	27	0	463	5.0	-0.55	479
Chief of Staff	8.8	413	713	-537	589	8.2	-0.55	614
Governance	8.4	368	767	-2	1,133	8.6		1,298
Human Resources	5.5	234	345	0	579	6.5	-1.10	668
Apprentices (now centralised)	14.3	288	55	0	343		6.05	
	41.5	1,739	1,907	-539	3,107	28.3	3.85	3,059
Resources								
Corporate Costs (inc pension lump sum)		300	2,092	-20	2,372			2,099
Finance & Procurement	11.3	441	87	0	528	12.7	-0.55	515
Council Tax & NNDR	20.4	645	55	-384	316	19.4		301
ICT & Digital	13.6	697	1,093	0	1,790	14.7	-1.10	1,859
Transformation	6.2	275	10	0	285	6.9		337
Customer Services	3.1	49	0	0	49	2.8		67
Facilities	5.6	194	394	-74	514	5.6		497
	60.2	2,601	3,731	-478	5,854	62.1	-1.65	5,675
Place								
Economic Growth	15.9	686	1,582	-1,806	462	12.3	-0.55	488
Community & Env Protection	9.9	493	69	-23	539	8.9		508
Food, Safety & Licensing	6.4	272	27	-172	127	6.6		142
Planning	31.7	1,292	553	-1,553	292	32.3		494
Building Control / CNC	34.5	1,534	469	-2,335	-332	36.1		-385
Business Support	15.4	407	149	-330	226	14.3	-0.55	200
	113.9	4,684	2,849	-6,219	1,314	110.6	-1.10	1,447
People & Communities								
Leisure	64.2	1,945	1,726	-2,724	947	66.7		1,564
People & Communities								
Communities and Early Help	23.7	499	319	-86	732	24.4	-1.10	766
Housing Standards & Ind Living	11.2	458	33	-135	356	13.6		349
Housing Benefit Payments			17,000	-17,000	0			0
Housing and Benefits	33.6	1,151	259	-1,187	223	34.1		172
Waste Services	135.5	4,054	2,700	-4,370	2,384	136.6		2,497
	203.9	6,162	20,311	-22,778	3,695	208.7	-1.10	3,784
Cost of Services								
	483.7	17,131	30,524	-32,738	14,917	476.4	0.00	15,529
Precept - Internal Drainage Board					198			173
Interest Payable					300			300
Minimum Revenue Provision (to repay borrowing)					0			39
Investment Income					-1,556			-1,356
Council Tax Deficit / (Surplus) (Offset by Covid Grant 21/22)					-70			-379
Transfer to Asset Replacement Reserves					1,900			1,900
Transfer to new Economic Growth Reserve					1,000			
Transfer to new Environmental / Infrastructure Reserve					500			
Transfer to / (from) Other Earmarked Reserves					142			142
Transfer to / (from) Leisure Centre Recovery Reserve					-946			
Transfer to / (from) General Fund Balance					364			429
					16,749			16,777
Funded by								
Council Tax - District Element (assumes £5 rise in C Tax in 22/23)					8,486			8,037
Council Tax - Special Expenses					7			7
NNDR (Business Rates) - Baseline Income					3,121			3,121
NNDR (Business Rates) - Retained Growth					1,289			1,289
New Homes Bonus					2,093			3,577
Services Grant					215			0
Lower Tier Services Grant					1,238			447
RSG / Rural Services Delivery Grant / Other Govt Grants					300			299
					16,749			16,777

APPENDIX B: BUDGET MOVEMENTS

The main changes to the base budget are as shown in the table below.

	£'000	£'000
Base Budget 2021/22		15,529
Inflationary Cost Pressures (mainly utility costs and fuel)		117
Inflationary Increases in Fees & Charges		-69
Salary Related Changes		
Pay inflation (21/22 extra 0.5% and 22/23 2%) / Reward & Recognition	521	
1.25% rise in Employers National Insurance Contributions	99	
Net Change in Salary Costs	-51	
Increase in pension payment for pension deficit £1,446k to £1,546k	100	669
Cost Pressures		
Apprenticeship levy increase	5	
Increase in external audit fees	10	
Adjustment to CNC support recharge budget	22	
Economic Growth – building maintenance costs	8	
Community & Environmental Protection	1	
Planning – New requirement for Design Guide	11	
Planning – Neighbourhood planning costs and cluster work	98	
Building Control – To ensure CNC nil net cost	33	
Building Control – Change to support costs charged to CNC	19	
Business Support – Out our hours support	5	
Housing Standards – Travellers site	2	
Waste – Staffing for additional round to deal with growth	71	
Waste – MRF Fees	227	512
Reductions in Income		
Facilities – New internal audit contractor unlikely to rent space	10	
Contribution to Economic Growth team ends	39	
Community & Environmental Protection – Dog fees	2	
Housing Benefit Lower income from HB overpayments, as move to UC	100	151
Savings		
Transformation - Reduction of one internal consultancy post	-22	
Housing and Benefits – Internal consultancy officer	-27	
Executive Team	-17	
Chief of staff	-1	
Governance – Reduction in budget for legal costs £457k to £300k	-157	
Governance - Other	-17	
HR	-17	
Corporate costs	-63	
Council Tax & NNDR	-1	
ICT & Digital	-66	
Transformation	-28	
Facilities	-19	
Economic Growth	-52	
Food safety & licensing	-4	
Planning	-93	
Communities	-30	
Housing and Benefits	-7	
Leisure – Instructor fees, equipment costs and other minor savings	-127	
Waste – Clinical waste	-75	
Waste – Budget for consultancy support now removed	-125	
Waste – Transport fleet savings	-121	
Waste – Other savings	-78	-1,148

	£'000	£'000
Growth in Income		
Chief of staff – primarily Internal Audit income	-43	
Economic growth	-58	
Car parks & public conveniences	-2	
Food safety & licensing	-1	
Planning – Cil income estimate increased from £250k to £328k	-78	
Street Naming and Numbering	-7	
Housing and Benefits	-16	
Leisure	-548	
Waste – Commercial waste income	-70	
Waste – Other	-21	-844
Base Budget 2022/23		14,917

APPENDIX C: MEDIUM TERM FINANCIAL PLAN (MTFP)

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Base Net Expenditure	14,917	14,917	14,515	14,159	14,442
<u>Recurring Adjustments:</u>					
Inflationary Pressures		298	290	283	289
Collaboration Savings		-300	-300		
Bounce bank of leisure service		-500	-447		
Increase in pension contribution		100	100		
Base Net Expenditure for following year	14,917	14,515	14,159	14,442	14,731
<u>Non Recurring Adjustments</u>					
Internal Drainage Board Precept	198	202	206	210	214
Interest Payable & MRP	300	300	300	300	300
Investment Income - General	-56	-56	-56	-56	-56
Investment Income - Loans to companies	-1,500	-1,200	-950	-950	-950
Transfers to / (from) Earmarked Reserves	3,542	1,500	1,250	1,250	1,250
Transfer from Leisure Recovery Reserve	-946	-444			
Net Budget Requirement	16,455	14,817	14,908	15,196	15,489

Funded by					
Council Tax - District Element (No increase)	8,229	8,311	8,394	8,478	8,563
Council Tax - Special Expenses	7	7	7	7	7
Council Tax - (Deficit) / Surplus	70				
NNDR (Business Rates)	4,410	4,410	4,410	4,410	4,410
New Homes Bonus - Legacy Payments	1,171				
New Homes Bonus - New Scheme from 23/24	921	750	750	750	750
Other Grants	1,453				
Rural Services Delivery Grant	300	300	300	300	300
Total Funding - No Council Tax Increase	16,561	13,778	13,861	13,945	14,030
Total Funding - With £5 Council Tax Increase	16,818	14,298	14,648	15,005	15,368

Funding Gap / (Surplus) - No CTax increase	-106	1,039	1,047	1,250	1,459
Funding Gap / (Surplus) - £5 CTax increase	-363	519	260	191	121

Council Tax Calculation - No Increase					
Council Taxbase (Homes)	51,430	51,944	52,464	52,988	53,518
Council Tax	160.00	160.00	160.00	160.00	160.00
	8,229	8,311	8,394	8,478	8,563

Council Tax Calculation - £5 Increase					
Council Taxbase (Homes)	51,430	51,944	52,464	52,988	53,518
Council Tax	165.00	170.00	175.00	180.00	185.00
	8,486	8,831	9,181	9,538	9,901

APPENDIX D: ADVICE OF THE s151 OFFICER

The advice of the s151 officer on the robustness of the estimates included in the budget, and on the adequacy of the financial reserves is as follows.

1 Robustness of Estimates

- 1.1 The budget estimates have been produced on a prudent basis, with an emphasis on identifying the existing cost pressures the Council faces and a realistic level of savings and efficiencies. The budget has been constructed so that all known costs are budgeted for, and income budgets are based on realistic projections. The budget is therefore constructed on a prudent basis.
- 1.2 There are however a number of significant potential risks in the robustness of the estimates as follows:
 - There is likely to be an ongoing impact due to Covid. Monies have been set aside however there is a risk that these could be insufficient.
 - The expected changes to the formula for council funding and changes to the business rates retention scheme is a source of major uncertainty at the present time, as the impact of any changes could have a variety of impacts. While best estimates have been made, the impact of these changes on the council's funding remains unclear.
 - There is an assumption that the Council is able to collect the level of Council Tax planned. The Council has consistently performed well in this area. As Universal Credit is rolled out, the Council is working to ensure that it can manage any resultant customer debt issues.
 - The Council depends on a number of contractors, suppliers and partners to deliver services. The use of partners is important as a delivery model for certain services, and there is a risk that some of these either contract their activities or cease to exist altogether. There could be cost implications that arise should this occur. Where it appears likely that this may happen with particular organisations, then the Council will take appropriate contingency measures to mitigate the impact.
 - There is a risk the economy stalls and growth is not as assumed in the Medium-Term Financial Strategy. If this were to occur, it would impact on the level of income received by the Council through its fees and charges as well as income from business rates retention. There would also be an impact on the demand on the services provided by the Council such as increasing homelessness and benefit claimants. This in turn would lead to an increase in the savings required in future years.
 - Budget estimates have been prepared on a cautious basis, limiting costs and growth where possible and ensuring income expected to be received, both through fees and charges and grant streams are at a level officers are confident can be delivered. There is a risk that this will be overly sensitive.
- 1.3 Overall, in my opinion the budget has been based on a reasonable set of assumptions with due regard to the risks and is therefore robust.

2 Adequacy of Reserves

- 2.1 As s151 officer I am also required to report on the adequacy of reserves.
- 2.2 Section 26 of the Local Government Act 2003 gives the Secretary of State power to fix a minimum level of reserves for which an authority must provide in setting its budget. The Secretary of State has the view that section 26 would only be used "...in which an authority does not act prudently, disregards the advice of its chief finance officer and is heading for serious financial difficulty."
- 2.3 The level of reserves is predicted to remain at the level required to finance the medium-term financial strategy. The plans in the Capital Programme include using earmarked reserves to fund an element of the capital programme over the next five years.
- 2.4 The projected level of the main General Fund reserves held by the Council at 31st March 2023 is £8.1m (excluding any 2021/22 surplus). Given the scale of the earmarked reserves held, this level of reserves provides sufficient flexibility should any of the assumptions made in this budget prove too optimistic.
- 2.5 Assuming Cabinet and Council agree the revenue budget as set out in this report, then in my opinion the level of reserves is adequate for known and potential risks at this time.

CAPITAL STRATEGY AND CAPITAL PROGRAMME 2022/23 TO 2026/27

Report Author(s): Darren Slowther
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Portfolio: Finance & Resources

Ward(s) Affected: All

Purpose of Report:

To present the Capital Strategy and the proposed Capital Programme for 2022/23 to 2026/27.

Recommendation:

Cabinet is asked to recommend to Council the Capital Strategy (**Appendix A**) and the Capital Programme for 2022/23-2026/27 (**Appendix B**).

1 SUMMARY

- 1.1 It is the responsibility of the Cabinet to prepare a budget for approval by the Council.
- 1.2 This report is one of a number of reports to be considered by Cabinet at this meeting to set the Council Budgets.
- 1.3 This paper focuses on the Capital Strategy and the associated Capital Programme.

2 BACKGROUND

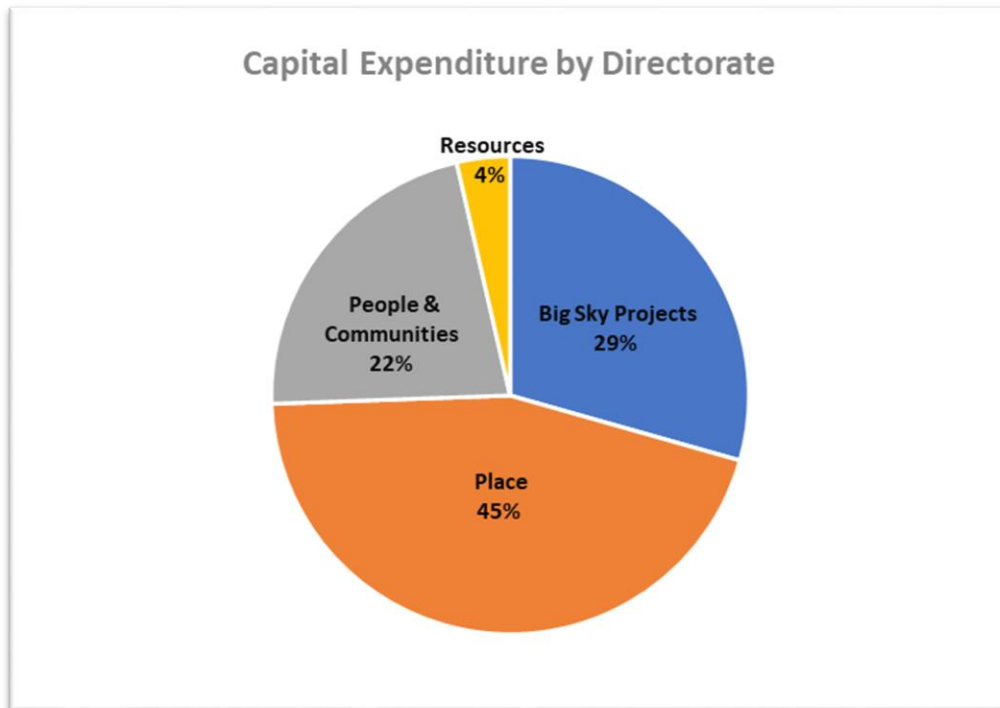
- 2.1 As part of the Council's budget process the Capital Strategy, and associated Capital Programme, is reviewed in order to assess, as part of the overall financial strategy of the Authority, what the scale and composition of the programme should be, and the consequential funding implications for the financial strategy.

3 CAPITAL STRATEGY

- 3.1 The Capital Strategy sets out the Council's approach to the use of its capital assets and resources. It is the framework for determining the capital programme and the effective use of the Council's resources.
- 3.2 This strategy seeks to deliver the Council's vision for the district as set out in the Delivery Plan. These ambitions are:
- Growing the Economy
 - Supporting individuals and empowering communities
 - Protecting and improving the natural and built environment, whilst maximising quality of life
 - Moving with the times, working smartly and collaboratively.
- 3.3 The Capital Strategy focuses investment to deliver these priorities while also contributing to the financial sustainability of the Council by supporting opportunities to develop more efficient service delivery and to generate additional income.
- 3.4 The full capital Strategy is included as **Appendix A**.

4 SUMMARY OF CAPITAL PROGRAMME

- 4.1 This year the Capital Programme has been expanded to include a number of new key projects help bring forward key economic development projects, make improvements to the public realm, and protect the environment.
- 4.2 The programme is therefore significantly larger than previous years and represents an increase in ambition.
- 4.3 The detailed five-year capital programme is shown in **Appendix B** and totals £85.6 million. The pie chart below shows how the programme is broken down by Directorate over the next five years.



4.4 Expenditure by Directorate is summarised in the following sections.

5 PEOPLE AND COMMUNITIES

Leisure Provision

- 5.1 Expenditure on Leisure facilities has been budgeted to take place in order of priority over the next five years.
- 5.2 Improvement works across all sites totalling £500k are budgeted to take place during 2022/23 and these are to be financed from a specific reserve which was created to ensure that resources are in place to fund the refurbishment and replacement of equipment and improvements to Leisure Centres when required.

Waste Services

- 5.3 The capital programme includes provision for development of a new depot. Options are currently being investigated and will be subject to a full business case. A reserve has been specifically created to ensure the earmarked funding is in place for depot expenditure.
- 5.4 Annual budgets are in place for the purchase of waste bins for homes in the district, and for the replacement of waste vehicles.

Disabled Facilities Grant

- 5.5 The Council receives ring-fenced Disabled Facilities Grant funding from the Government through the Enhanced Better Care Fund managed by Norfolk County Council. The allocation for 2021/22 was £1.035m and is projected to remain at this level for future years. It is important that this funding is fully committed in each year to avoid it having to be returned to Government. These grants are valuable in helping people stay in their own homes.

6 PLACE

Economic Growth

- 6.1 Budgets have been included in the Programme for a series of initiatives that will enhance the economic development of the South Norfolk district:
- £2m per annum for Improvements in the Public Realm (£1m of which is intended to be matched funded),
 - £4.5m fund for Economic Development Investment and by engaging growth
 - £1.5m fund for development opportunities.
 - £2m on land acquisition for an office development in the Norwich Research Park.

7 BIG SKY PROJECTS

- 7.1 In July 2017 Cabinet agreed to provide funding to Big Sky Developments Ltd (BSDL) in relation to strategic housing and employment development opportunities and the capital programme includes the associated budgets for potential developments over the coming years, although the timing of expenditure is dependent upon the speed with which these opportunities are realised and is therefore not entirely within the Council's control.
- 7.2 BSDL has projected its cash requirements for the next five years and in order to ensure that they have the necessary cash to deliver their strategy. This totals £2.5m in 22/23 and £7.44m in 2023/24. Additionally, £10m and £5m have been included in 2025/26 and 2026/27 respectively to provide for investment in potential future housing schemes.
- 7.3 BSDL cashflow projections show that it can repay SNC loans totalling £31.4m between 2022/23 and 2026/27. These loan repayments are treated as Capital Receipts. Further details about the Capital Receipts balance is shown in the table at paragraph 9.7.

8 RESOURCES

ICT and Digital Investment

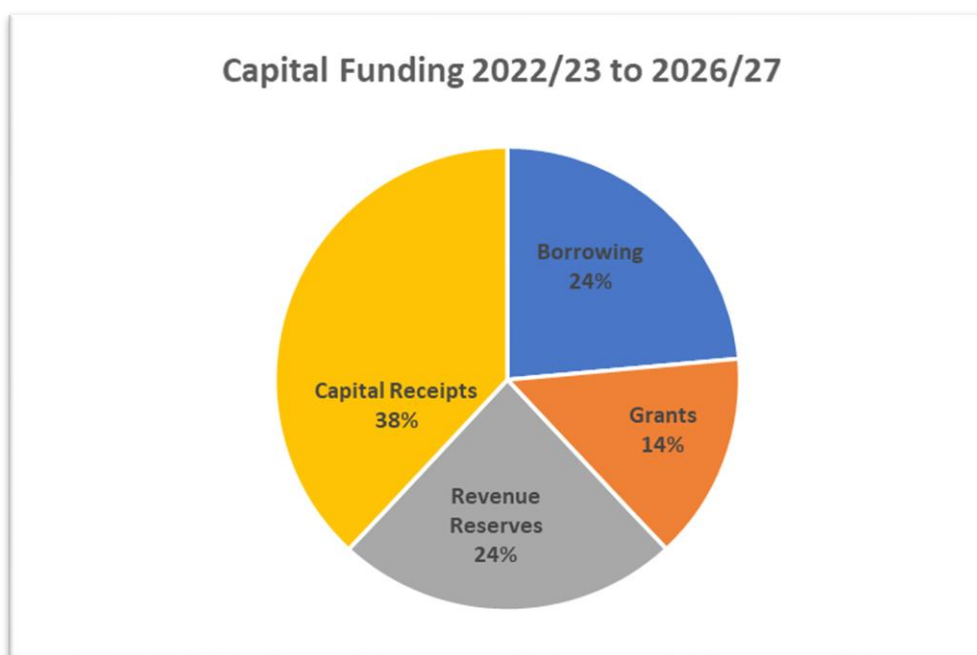
- 8.1 The capital programme sets aside the capital funding required to deliver the ongoing requirements for IT equipment for individual users and infrastructure and software upgrades and replacements to support the Council's IT network and systems.
- 8.2 There is an additional budget included in the programme for the continuing investment in the transformation programme to align IT systems across departments. This work is being carried out in collaboration with Broadland District Council in order to deliver better value for money and enable a fully joined up network going forward.

Facilities

- 8.3 Provision for the continuing maintenance / enhancement of South Norfolk House is included in the programme. Essential works have been identified by condition surveys and will be carried out while awaiting the results of a wider accommodation review

9 FINANCING THE CAPITAL PROGRAMME

- 9.1 This section focuses on the main sources of funding that are proposed to be used to fund the capital programme.
- 9.2 The size of the capital programme and the need to be prudent in the use of revenue reserves for capital purposes means that it is predicted that the Council will need to borrow to fund the capital programme over the next five years.
- 9.3 The new five-year capital programme will be financed from a mixture of revenue and capital reserves, capital receipts and grants, internal borrowing from cash balances, and external borrowing. The projected sources of funding are shown in the graph below and **Appendix B** provides further details.



Effect on Reserves

- 9.4 During the five-year programme £20.9 million of revenue reserves will be used to fund the programme as shown in the table below:

	£000
Asset Replacement Reserve	5,379
Refuse Reserve	5,000
General Revenue Reserve	4,159
Infrastructure Reserve	2,837
New Ways of Working Reserve	1,761
Leisure Centre Reserve	1,484
Car Park Upgrades Reserve	175
Street Lighting Reserve	60
Total Use of Revenue Reserves	20,855

Capital Receipts

- 9.5 The programme includes repayment of loans from Big Sky Developments Limited funded by property sales from the development at St Giles Park, Cringleford, and future developments in the District. These are subject to the prevailing housing market conditions at the time of sale. They could therefore fluctuate, and this is a risk to the funding of the programme which needs to be managed.
- 9.6 As part of the transfer of the housing stock to Saffron Housing Trust the Council will continue to receive income from for the sale of right to buy properties.

- 9.7 The table below demonstrates the estimated pattern of receipts and expenditure funded from these. A significant number of these additions are repayments from Big Sky Developments Limited, indicated in the table below (bracketed figures).

Opening Balance 31/3/22	105,566
Additions in year (£2m BSDL)	2,225,000
Utilised 22/23	1,063,233
Balance 31/3/23	1,267,333
Additions in year (£11.44m BSDL)	11,665,000
Utilised 23/24	9,102,284
Balance 31/3/24	3,830,049
Additions in year (£3m BSDL)	3,225,000
Utilised 24/25	2,699,852
Balance 31/3/25	4,355,197
Additions in year (£9.86m BSDL)	10,085,000
Utilised 25/26	13,900,000
Balance 31/3/26	540,197
Additions in year (£5.1m BSDL)	5,325,000
Utilised 26/27	5,675,000
Closing Balance 31/3/27	190,197

Borrowing

- 9.8 As resources reduce, the Council will have a need to borrow to fund capital projects.
- 9.9 It is likely that there will be slippage over the life of the programme which could delay the need to borrow. In the first instance, the Council will be able to borrow internally from its own cash balances. The cost of this would be the interest foregone from investing the cash with external counterparties.

10 OTHER OPTIONS

- 10.1 Cabinet can propose changes to the Capital Strategy and Capital Programme, before recommending these to Council for approval.

11 ISSUES AND RISKS

Resource Implications

- 11.1 The size and composition of the capital programme has a significant impact on the medium-term financial plan.

Risks

- 11.2 A number of the capital schemes rely on working with partners and / or require appropriate opportunities to arise in the market. As such there is a risk that the timeframe for schemes (particularly those marked as provisional schemes) will slip.

Legal Implications

- 11.3 The Council is required to set a budget for 22/23.

Equality Implications

- 11.4 Officers believe that this budget presents no significant negative impact on those who share protected characteristics as defined in the Equality Act 2010.

Environmental Impact

- 11.5 There is no direct environmental impact arising from this report.

Crime and Disorder

- 11.6 There is no direct crime and disorder impact arising from this report.

12 CONCLUSION

- 12.1 This Capital Programme is significantly larger than previous years. It represents an increase in ambition and risk. Furthermore as the overall programme it likely to lead to long term borrowing being undertaken, it represents a step change in approach, and will commit future administrations to servicing this debt.

13 RECOMMENDATION

- 13.1 Cabinet is asked to recommend to Council the Capital Strategy (**Appendix A**) and the Capital Programme for 2022/23-2026/27 (**Appendix B**).

Background Papers

None

Appendix A: Capital Strategy

1 Purpose

- 1.1 The purpose of this Capital Strategy is to outline the Council's approach to capital investment, and how the Council ensures that capital investment is prudent, affordable and directed to the Council's Corporate Priorities.
- 1.2 The Capital Strategy is a partner document to the Medium-Term Financial Plan (MTFP), the Broadland and South Norfolk – "Our Plan" 2020-2024, the ICT Strategy, the Commercialisation Strategy, the Council's Delivery Plan, the Council's Budget (Revenue and Capital), the Treasury Management Policy and the Annual Investment Strategy.

2 Vision for the District

- 2.1 This strategy seeks to deliver our vision for the district as set out in the Broadland and South Norfolk – "Our Plan" 2020-2024. Our ambitions are:
 - Growing the Economy
 - Supporting Individuals and empowering communities
 - Protecting and improving the natural and built environment, whilst maximising quality of life
 - Moving with the times, working smartly and collaboratively.

3 Definition of Capital Expenditure

- 3.1 Capital expenditure is defined in Section 16 of SI 2003/3146 as:
 - Expenditure that results in the acquisition, construction or enhancement of fixed assets (tangible and intangible)
 - Expenditure fulfilling one of the definitions specified in regulations made under the Local Government Act 2003
 - Expenditure which has been directed to be treated as capital by the Secretary of State (for example, grants made to third parties for the purpose of capital expenditure).

4 Requirement for a Capital Strategy

- 4.1 The Local Government Act 2003 requires local authorities to adopt the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). The Prudential Code "requires local authorities to have regard to wider management processes (option appraisal, asset management planning, strategic planning and achievability) in accordance with good professional practice".
- 4.2 As part of the Prudential Code authorities are required to produce a capital strategy and are also required to estimate their capital expenditure over the next three financial years, which will form a part of the budget setting process each year.

- 4.3 The capital strategy helps address the strategic long-term purpose of investment and therefore stretches for many years.
- 4.4 The strategy provides the starting point for the capital programme and a framework for the effective use of the Council's resources and will influence the direction of treasury management. The Prudential Code permits the Council to determine the appropriate level of capital investment to deliver quality public services, subject to affordability.

5 Priorities

- 5.1 This Capital Strategy focuses investment to deliver the Council's corporate priorities, while also contributing to the Council's financial sustainability by supporting opportunities to develop more efficient service delivery and to generate additional income.
- 5.2 The current capital expenditure priorities are set out in the capital programme.
- 5.3 This strategy is a living document which evolves over time to incorporate ongoing capital liabilities which will need to be met in the future alongside other investment decisions. In order to determine future liabilities, the Council will commission condition surveys for Council assets. The Capital Strategy will also need to be developed in line with the asset management plan. The Capital Strategy is a corporate document and requires a cross-Council approach to be effective.

6 Capital Assets

- 6.1 The assets which are likely to present the greatest ongoing capital liability for the Council over the next 20 years are as follows:

Asset	Net Book Value as at 31.3.21
South Norfolk House	£3,218,250
Wymondham Leisure Centre	£9,876,000
Long Stratton Leisure Centre	£4,138,000
Diss Leisure Centre	£2,448,000
Commercial Units	£11,460,400

- 6.2 The Council has adopted a Commercialisation Strategy, which helps guide how we invest in our income generating assets. Over the past few years significant investment has gone into the Council's three leisure centres in order to increase footfall and work towards a subsidy free service.
- 6.3 The Council also has a portfolio of commercial units. These supports the Council's economic development strategy and also provide a financial return to the Council.
- 6.4 In addition to these assets, significant capital expenditure will need to be incurred on the upgrade of IT equipment and improvements to the IT Infrastructure

- 6.5 As at 31st March 21 the Council held £33,428,000 in loans and equity in its commercial companies. Budgets are in place to lend a further £6.2m by 31st March 2022. These investments have been made as part of the capital programme and need to be considered as part of this Capital Strategy.
- 6.6 Under the Treasury Management Code, for all non-treasury investments, i.e. commercial activity, the Council is required to approve annually a schedule of existing material investments, subsidiaries and joint ventures and liabilities and its risk exposure. This is contained in Annex 1 for approval. The level of risk exposure is taken to be the value of these investments which will vary over time but are shown as at 31 March 2021.

7 Capital Financing

- 7.1 The Council can finance its capital programme from various sources as follows:
- Revenue.
 - Revenue Reserves
 - Capital Receipts from asset disposals
 - Grants
 - Tax Increment Financing (TIF).
 - Private Finance Initiative/Public Private Partnership
 - CIL
 - Borrowing.
- 7.2 Over the next few years, the total amount of investments and cash will fall as cash is spent on the capital programme and earmarked reserves are spent.
- 7.3 The proposed total resources available to finance the current capital programme going forward from 2022/23 and slippage from 2021/22 will be in the region of £84.9 million as set out below:

Resources	£million
Capital Receipts	32.4
Grants (incl. S106 funds)	12.3
Revenue Reserves	20.9
Borrowing Requirement	20.0
Total	85.6

- 7.4 The use of reserves means that the Council's cash is projected to reduce in the short term. This reduction means that further capital expenditure in this period would need to be funded from generating additional resources or external borrowing.

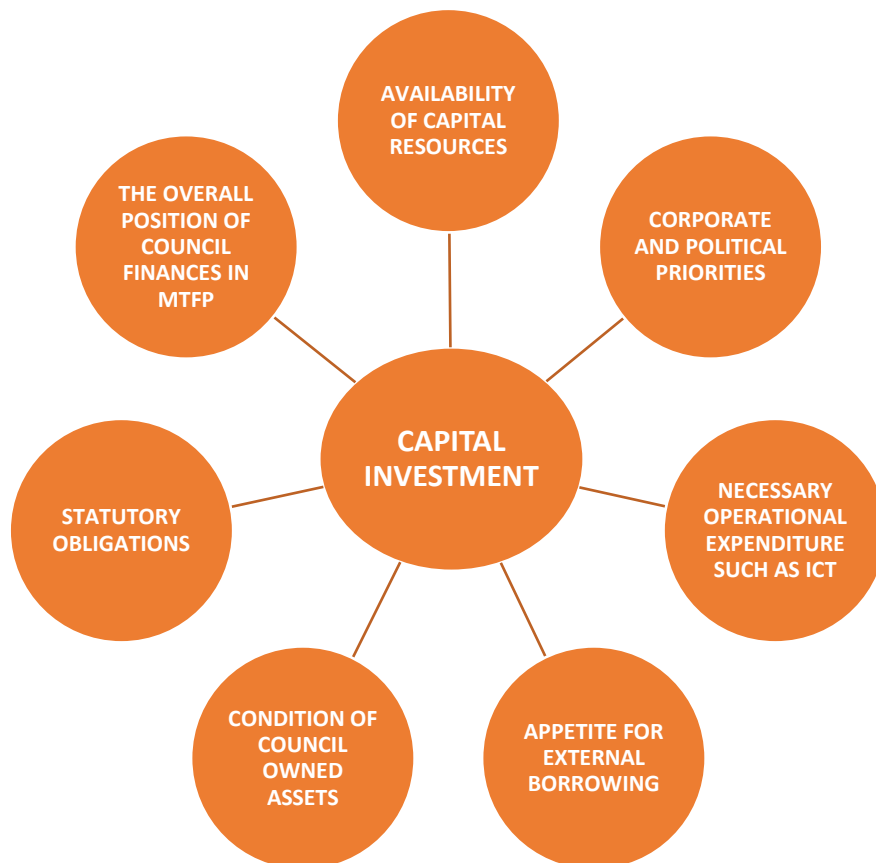
8 Borrowing

- 8.1 Under the Prudential Code, Councils determine how much they will borrow as long as any borrowing is affordable and prudent, thus clearly linking the financing of capital with the Treasury Management Strategy and the revenue budget.
- 8.2 The consequence of the funding position is that the Council will be required to borrow to finance any additional capital expenditure in the coming period. However, any borrowing must be affordable in line with the requirements of the prudential code.
- 8.3 Under the Prudential Code, Councils are not permitted to borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. All the Council's commercial investments are within the District and are primarily intended to deliver economic and housing regeneration and growth.
- 8.4 The need to borrow is not based on our levels of investment balances/reserves but on the Council's capital financing requirement (CFR).
- 8.5 The total amount of debt that the Council can take on needs to be affordable. Affordability will be kept under review as part of the Treasury Management Strategy and when setting revenue and capital budgets It will reflect the need for prudence along with the risk appetite of the Council.
- 8.6 There are many sources of borrowing available to the Council and it is likely that the Council will utilise a mix of these to spread the risk around loan maturities and future interest rates. Sources include:
- Public Works Loan Board (PWLB)
 - Borrowing from other local authorities
 - Borrowing via the Municipal Bonds Agency (MBA)
 - Borrowing from institutions such as the European Investment Bank and directly from commercial banks
 - Borrowing from the money markets
 - Local Authority stock issues and bills
 - Commercial paper
 - Structured finance.
- 8.7 HM Treasury issued new guidance regarding PWLB lending on 12 August 2021. The effect of this guidance is that PWLB borrowing can only be taken out to support service delivery, housing, economic regeneration, preventative action, and treasury management. It includes a definition of investment assets bought primarily for yield, which the PWLB will not support. Additionally, under the Prudential Framework local authorities cannot borrow or invest for speculative purposes. The government and CIPFA are clear that borrowing to invest for yield is not permitted under the Prudential Framework. SNC has no such projects in its Capital Programme.

- 8.8 The purpose of this Capital Strategy is to outline the Council's approach to capital investment, and how the Council ensures that capital investment is prudent, affordable and directed to the Council's Corporate Priorities.

9 Priorities for the Capital Programme / Option Appraisal

- 9.1 The need for capital investment is driven by a number of factors both internal and external to the council. The diagram below illustrates a number of these.



- 9.2 Within the funding constraints outlined above, it is necessary to set clear priorities for capital expenditure. All expenditure proposals require a clear business case to justify the expenditure. The policy on capitalisation is included in the Council's annual accounts. Capital expenditure is authorised by Cabinet and Full Council through the budget setting process and monitored on a quarterly basis through reports to Cabinet.
- 9.3 Potential proposals should be assessed in line with the Council priorities. The table below highlights capital expenditure that is already planned or could be undertaken to meet the Council's priorities:

Growing the Economy	Supporting individuals and empowering communities	Protecting and improving the natural and built environment, whilst maximising quality of life	Moving with the times, working smartly and collaboratively
Development opportunities on the Norwich/Cambridge Tech Corridor	Further enhancement of SNC Leisure Facilities	Waste Vehicle Replacement	Delivering the ICT Strategy and Systems Transformation
Other Property Development for Local Business Workspace	Disabled Facilities Grants	Refurbishment/Replacement of Waste Depot	Improvements to the Council's operational buildings
Strategic Economic Developments to boost growth (Neighbourhood Renewal Fund)	Enabling greater access for all across the district – accessible public conveniences	Waste/Recycling Bin Purchases	
		Street Lighting Replacement Programme	
		Play Area Refurbishments	
		Installation of Electric Car Charging Points	

10 Partnerships

- 10.1 Partnership working is certain to continue and is likely to assume greater significance given the state of public finances so this strategy needs to ensure that any capital requirements identified through partnership work can be considered alongside other bids for capital funds.
- 10.2 South Norfolk Council's collaborative working with Broadland District Council is likely to create a wide number of opportunities to work jointly on capital projects that will benefit both authorities. If the expectation is that the nature of the projects are large scale, significant capital expenditure is likely. Managers of capital projects should be encouraged to adopt or at least make reference to this Capital Strategy, affirming that the project(s) are in line with current priorities and vision moving forward
- 10.3 The Council is a member of the Greater Norwich Growth Board (GNGB). Expenditure, both capital and revenue, is directed by the Greater Norwich Business Plan, reviewed and updated annually by the Board and supports the delivery of growth over the GNGB area which comprises Broadland, Norwich and South Norfolk Councils, Norfolk County Council and the Local Enterprise Partnership.

11 Equalities

- 11.1 Capital projects must give consideration to the Equalities Act 2010.
- 11.2 Promoting equality and diversity is vital for tackling discrimination and social exclusion.

12 Risk Management

- 12.1 As part of the project business case, capital projects should be risk assessed. Any mitigation actions should be included in the project business case. With diversity of partnership working, including joint venture working as described above, local authorities' assessment of risk management becomes increasingly important.
- 12.2 The main financial risk is associated with actual performance against expected. Excessive costs incurred due to unforeseen circumstances and project slippage can lead to increased pressure on future year's budgets. This can be mitigated by having robust business cases and monitoring through the life of the project.
- 12.3 The risk around borrowing is managed by use of Prudential Indicators that are calculated annually as part of the budget setting process and revisited at each year's actual outturn and a decision on how much the council can afford to borrow.

13 Advice of the Section 151 Officer

- 13.1 The Section 151 Officer is specifically required to report on the deliverability, affordability and risks associated with the capital strategy.
- 13.2 Deliverability is underpinned through the embedding of capital expenditure within the business planning process and use of specialist advice where required, for example, in assessing the plans to deliver commercial property investments.
- 13.3 The prudential indicator of net financing costs to net revenue income stream from taxation and central government provides another view of financial sustainability. This is set out in the Treasury Management Strategy elsewhere on this agenda.
- 13.4 The key risks in this strategy are as follows:
 - **Economic** – Changes in the economy could mean that investments undertaken in line with the strategy do not deliver the anticipated benefits or returns. Prudent assumptions have been made on the level of returns that can be expected.
 - **Timing** – Delays incurred during the implementation phase of particular projects could impact on the returns in the short term. Effective project management and monitoring is undertaken to mitigate this risk.
 - **Interest Rates** – It has been assumed that interest rates will stay at their current low levels. The exact timing of borrowing will determine the exact interest rates on external debt incurred as part of this strategy. The interest rate outlook is kept

under review so that the strategy can be changed should rises in interest rates become probable.

- **Government Policy** – The strategy is aimed to deliver quality services and to improve the sustainability of the Council. Should government policy change in a way that prevents parts of the strategy being implemented, increases its cost or reduces the expected benefits, then the strategy would need to be revised.

13.5 *Overall this Capital Programme is significantly larger than previous years. It represents an increase in ambition and risk. Furthermore as the overall programme it likely to lead to long term borrowing being undertaken, it represents a step change in approach, and will commit future administrations to servicing this debt.*

14 Conclusion

- 14.1** This Capital Strategy represents a prudent and affordable approach to investment in the Council's assets to support service delivery and to contribute to the Council's financial sustainability over the next 5 years.

Annex 1: Schedule of Non-Treasury Investments

Investment	Value in the Council's Balance Sheet at 31 March 2021
Big Sky Ventures Ltd – Equity Shares	£6,468,000
Big Sky Developments Ltd - Loans	£26,300,000
Big Sky Property Management Ltd - Loans	£3,160,000
Crafton House	£1,489,600
Rectory Road, Dickleburgh - Agricultural Land	£1,347,500
Wym - Ayton Road	£1,508,400
Rushall Road, Harleston - Agricultural land	£1,043,200
Shotesham Road, Poringland - Commercial Development Land	£520,600
9-11 Mere Street, Diss	£634,100
Trumpeter House	£959,500
Loddon Business Centre	£528,000
Friarscroft Lane, Wymondham - Development Land	£522,200
Unit 18A Harleston	£481,800
Former Wym Town Council Office, Middleton St	£296,200
Gissing - Residential Development	£166,900
Unit 19A Harleston	£219,700
21 Penfold Drive, Gateway 11, Wymondham NR18 0WZ	£147,800
15 Vincess Road, Diss	£185,000
Ketteringham Depot-Unit 1 & 2 Station Lane	£174,700
Dereham Road, Costessey Caravan Site	£241,600
Unit B17 Owen Rd Diss	£365,300
13 Vincess Road, Diss	£169,300
The Lodge, Maple Park	£79,500
Unit 5b Owen Road Diss IP22 4ER	£97,600
9 Park Road Diss	£13,300
4 Garages Thomas Manning Road	£71,800
Park Road Diss - Land - Bus Depot Diss	£52,400
3 Garages Chapel Street Diss	£72,100
Friarscroft Lane, Wymondham - Garden Lane Rear of 23-37	£45,000
Eleven Mile Lane, Sutton, Wymondham - Paddock Land	£25,200
Parking Plots in Long Stratton	£1,900
Garden Plot, Station Close, Swainsthorpe	£200
	<hr/>
	£44,228,000

Appendix B Capital Programme

Capital Programme (Scheme)	Directorate	Team	Provisional Projects - i.e. those requiring a business case and/or Member approval to progress	Estimate 2022/23 £	Estimate 2023/24 £	Estimate 2024/25 £	Estimate 2025/26 £	Estimate 2026/27 £	Total 2022-27 £
Supporting Individuals - Housing									
Big Sky Financing	Big Sky	-	Y		7,440,000				7,440,000
New Big Sky Developments.	Big Sky	-	Y	2,500,000			10,000,000	5,000,000	17,500,000
Development opportunities on Cambridge / Norwich arc	Place	Ec Growth	Y	1,500,000					1,500,000
Travellers Sites	Place	Ec Growth	Y	300,000					300,000
Temporary Accommodation - Security Improvements	P&C	Ind & Families	Y	11,000					11,000
Supporting Individuals - Health & Leisure									
One Public Estate / Medical / Health Facilities	Place	Ec Growth	Y		4,000,000				4,000,000
Land assembly / Investment in Diss	Place	Ec Growth	Y	1,000,000		1,000,000			2,000,000
Disabled Facilities Grants	P&C	Housing		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000
Wymondham Leisure Centre Works	P&C	Leisure		173,049	80,000	20,000		75,000	348,049
Long Stratton Pool	P&C	Leisure		110,000					110,000
Diss Leisure Centre	P&C	Leisure		170,496	30,000	15,000	50,000		265,496
Diss Leisure Centre Poolside Improvements/Tank Tiles	P&C	Leisure				300,000			300,000
Long Stratton Leisure Centre	P&C	Leisure		65,000	25,000	60,000			150,000
Framingham Earl High School	P&C	Leisure	Y	10,520	220,000	80,000			310,520
Ketts Park Kitchen	P&C	Leisure	Y	35,000					35,000
Ketts Park Works	P&C	Leisure	Y	35,000					35,000
Improvements in the Public Realm									
Play Areas (works funded by s106 monies)	Place	Ec Growth			113,973	49,946			163,919
Norfolk Strategic Fund to support Economic Growth	Place	Ec Growth		678,572					678,572
Larger Settlements Fund	Place	Ec Growth	Y	1,000,000	1,000,000	1,000,000	1,000,000		4,000,000
Larger Settlements Fund (Matched funding)	Place	Ec Growth	Y	1,000,000	1,000,000	1,000,000	1,000,000		4,000,000
Long Stratton public realm	Place	Ec Growth	Y				2,000,000		2,000,000
Long Stratton public realm (Matched funded)	Place	Ec Growth	Y				2,000,000		2,000,000
Changing Places (Disabled Public Conveniences)	P&C	Ind & Families	Y	20,000					20,000

Capital Programme (Scheme)	Directorate	Team	Provisional Projects - i.e. those requiring a business case and/or Member approval to progress	Estimate 2022/23 £	Estimate 2023/24 £	Estimate 2024/25 £	Estimate 2025/26 £	Estimate 2026/27 £	Total 2022-27 £
Protecting the Environment									
Environmental Projects	Place	Ec Growth	Y	400,000	400,000	400,000	400,000	400,000	2,000,000
Investment in the Economy									
Norwich Research Park Building	Place	Ec Growth	Y	2,000,000	6,000,000				8,000,000
Property Development (Browick Road)	Place	Ec Growth		3,000,000					3,000,000
Other Property / Economic Development Investment	Place	Ec Growth	Y	4,500,000					4,500,000
Car Park Improvements	Place	Waste		35,000	35,000	35,000	35,000	35,000	175,000
Our Own Needs									
IT - Annual Replacement Programme	Resources	ICT & Digital		225,000	225,000	225,000	225,000	225,000	1,125,000
IT - Members IT refresh	Resources	ICT & Digital		46,000					46,000
IT - System Replacement Programme	Resources	ICT & Digital		275,000	275,000	275,000	275,000	275,000	1,375,000
IT - WIFI	Resources	ICT & Digital		220,000					220,000
IT - Remote Working Solution	Resources	ICT & Digital		55,000	165,000				220,000
South Norfolk House – Enhancement Works	Resources	Facilities		32,233	262,284	74,852	221,405	149,235	740,009
Street Lighting	Place	Ec Growth		24,240	24,240	24,240	24,240	24,240	121,200
Bins Purchase	P&C	Waste		165,000	165,000	165,000	165,000	165,000	825,000
Waste Vehicles - Replacement Programme	P&C	Waste		760,000	760,000	760,000	760,000	760,000	3,800,000
Waste Vehicles - New vehicles as new rounds needed	P&C	Waste		190,000			190,000		380,000
Waste Vehicles - Increase for extra street sweeping	P&C	Waste	Y	234,000					234,000
Grounds Maintenance Equipment	P&C	Waste			65,000	45,000	15,000	15,000	140,000
Waste Depot	P&C	Waste		3,500,000	3,000,000				6,500,000
				25,270,110	26,285,497	6,529,038	19,360,645	8,123,475	85,568,765

Capital Programme - Financing				Estimate 2022/23 £	Estimate 2023/24 £	Estimate 2024/25 £	Estimate 2025/26 £	Estimate 2026/27 £	Total 2022-27 £
Grants				3,060,812	2,126,213	2,062,186	4,012,240	1,012,240	12,273,691
Revenue Reserves				11,146,065	5,057,000	1,767,000	1,448,405	1,436,235	20,854,705
Capital Receipts				1,063,233	9,102,284	2,699,852	13,900,000	5,675,000	32,440,369
Borrowing				10,000,000	10,000,000				20,000,000
				25,270,110	26,285,497	6,454,186	19,139,240	7,974,240	85,568,765

Treasury Management Strategy Statement 2022/23

Report Author(s):	Darren Slowther, Capital and Treasury Accountant 01603 430467 darren.slowther@southnorfolkandbroadland.gov.uk
Portfolio Holder:	Finance & Resources
Ward(s) Affected:	All
Purpose of the Report:	This report sets out the authority's approach to the management of its borrowings, investments and cash flows.

Recommendations:

Cabinet is recommended to approve the following, and recommend these to Council

1. This Treasury Management Strategy Statement 2022/23
2. The Treasury Management Policy Statement 2022/23 (**Appendix 1**)
3. The Annual Investment Strategy 2022/23 (**Appendix 2**)
4. The Treasury Management Practice (TMP1) (**Appendix 3**)
5. The Treasury Management Scheme of Delegation (**Appendix 4**)
6. The Prudential Indicators (**Appendix 5**)
7. The Minimum Revenue Provision (MRP) Statement (**Appendix 6**).

1 SUMMARY

- 1.1 This report sets out the Treasury Management Strategy Statement 2022/23 and associated policies.
- 1.2 It is a regulatory requirement that these be approved annually by Full Council.

2 DEFINITION AND PRINCIPLES

- 2.1 The Chartered Institution of Public Finance and Accountancy (CIPFA) defines treasury management as:
- “The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*
- 2.2 DLUHC and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This Treasury Management Strategy Statement deals solely with financial investments. Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.
- 2.3 There are 3 key treasury management principles:
1. **Security** – To ensure monies are not placed at undue risk, by ensuring all monies are invested in appropriate counterparties or instruments commensurate with the organisation’s risk appetite.
 2. **Liquidity** - To ensure that cash flow is adequately planned, with cash being available when it is needed, and that sufficient funding is available to finance the organisation’s capital investment plans.
 3. **Yield** - To maximises investment returns (commensurate with risk) and minimise borrowing costs to minimise the costs to the organisation.
- 2.4 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as “non-treasury” activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

3 TREASURY MANAGEMENT STRATEGY STATEMENT

- 3.1 This Treasury Management Strategy Statement for 2022/23 encompasses a number of areas as follows:
- | | |
|------------|---|
| Section 4 | Treasury Management Policy Statement |
| Section 5 | Annual Investment Strategy |
| Section 6 | Expected Investment Returns |
| Section 7 | Treasury Management Practices |
| Section 8 | Treasury Management Scheme of Delegation & Reporting Requirements |
| Section 9 | Policy on use of External Service Providers |
| Section 10 | Prudential Indicators |
| Section 11 | Minimum Revenue Provision (MRP) Policy Statement |
| Section 12 | Borrowing Strategy |
| Section 13 | Prospects for Interest Rates |

- 3.2 These documents do not tend to change significantly from year to year, however It is a regulatory requirement that these be approved annually by Full Council.
- 3.3 The key changes to note this year relate to the publication by CIPFA on 20th December 2021 of revised Treasury Management and Prudential Codes. CIPFA have stated that formal adoption is not required until the 2023/24 financial year. This Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval. The revised codes will have the following implications:
- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
 - clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
 - address Environmental, Social and Governance (ESG) issues within the Capital Strategy;
 - require implementation of a policy to review commercial property, with a view to divest where appropriate;
 - create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
 - ensure that any long term treasury investment is supported by a business model;
 - a requirement to effectively manage liquidity and longer term cash flow requirements;
 - amendment to TMP1 to address ESG policy within the treasury management risk framework;
 - amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
 - a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).
 - In addition, all investments and investment income must be attributed to one of the following three purposes: -
 - **Borrowing Requirement Arising from the organisation's cash flows or treasury risk management activity.**
This type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.
 - **Service Delivery Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure.**
Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial

viability of the project in question or otherwise incidental to the primary purpose”.

- **Commercial Return**

Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council’s financial capacity – i.e., that ‘plausible losses’ could be absorbed in budgets or reserves without unmanageable detriment to local services. ***An authority must not borrow to invest primarily for financial return.***

- 3.4 As this Treasury Management Strategy Statement and Annual Investment Strategy deals solely with treasury management investments, the categories of service delivery and commercial investments will be dealt with as part of the Capital Strategy report. However, as investments in commercial property have implications for cash balances managed by the treasury team, it will be for the authority to determine whether it feels it is relevant to add a high level summary of the impact that commercial investments have, or may have, if it is planned to liquidate such investments within the three year time horizon of this report, (or a longer time horizon if that is felt appropriate).
- 3.5 Members will be updated on how all these changes will impact our current approach and any changes required will be formally adopted within the 2023/24 TMSS report.

4 TREASURY MANAGEMENT POLICY STATEMENT

- 4.1 In line with CIPFA’s Treasury Management in the Public Services: Code of Practice the Council maintains a Treasury Management Policy Statement. This is the cornerstones for effective treasury management.
- 4.2 This Treasury Management Policy Statement is included in **Appendix 1** and details the policies, objectives and approach to risk management of the Council’s treasury management activities, including policies where the Council has commercial investments held for financial return.
- 4.3 It is this Policy that sets out that the Council’s primary objective in relation to investments is the security of capital. The liquidity or accessibility of the Council’s investments followed by the yield earned on investments remain important, but are secondary and tertiary considerations respectively.

5 ANNUAL INVESTMENT STRATEGY

- 5.1 The Annual Investment Strategy sets out the Authority’s:
 - Investment Approach
 - Investment Risk Management Policy
 - Creditworthiness Policy
 - Other Investment Limits
 - Investment Risk Benchmarking

- 5.2 As at the end of December 2021 the Council had treasury investments of £40.8m, and £33.5m in loans to wholly owned Council companies. However, the application of resources (capital receipts, reserves etc.) to finance capital expenditure is expected to reduce the level of investments over time.
- 5.3 The Annual Investment Strategy categorises investments between:
- **Specified investments.** Investments that have a high level of credit quality and are subject to a maturity limit of one year.
 - **Non-specified investments.** Investments with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration before being authorised for use.
- 5.4 The Annual Investment Strategy also sets time and monetary limits for institutions on the Council's counterparty list.

6 EXPECTED INVESTMENT RETURNS

- 6.1 The Bank Rate rose from 0.10% to 0.25% in December 2021. However, forecasts from LINK Asset Services, the Council's appointed treasury advisors, anticipate no higher rate than 0.75% by March 2023, so it has been assumed that investment earnings on short term and money market-related instruments will be sub 0.75% for the foreseeable future.
- 6.2 On that basis the expected investment return for 2022/23 has been calculated as £50,000.
- 6.3 For comparison the investment return in 2021/22 is expected to be c£40,000.

7 TREASURY MANAGEMENT PRACTICES (TMPs)

- 7.1 Treasury Management Practices set out the manner in which the Council will seek to achieve the Treasury Management policies and objectives, and prescribe how it will manage and control those activities.
- 7.2 Treasury Management Practice (TMP1) Credit and Counterparty Risk Management is included as **Appendix 3**.

8 TREASURY MANAGEMENT SCHEME OF DELEGATION, REPORTING REQUIREMENTS AND TRAINING

Scheme of Delegation

- 8.1 The Council delegates:
- responsibility for the implementation and monitoring of its treasury management policies and practices to Cabinet, and

- responsibility for the execution and administration of treasury management decisions to the Section 151 Officer.

8.2 The Council also nominates the Scrutiny Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

8.3 Further details are included in **Appendix 4**.

Reporting Requirements

8.4 Members are required to receive and approve, as a minimum, three treasury reports each year as follows:

1. **Treasury Management strategy** (this report) – This is forward looking and covers the plans for the year ahead. Approval is through Cabinet and then Council
2. **A mid-year treasury management report** – This is a progress report and will update on the mid-year treasury management position. Approval is through Cabinet.
3. **An annual treasury report** – This is a backward looking document and provides details of actual treasury management operations compared to the estimates. Approval is through Cabinet and then Council.

Training

8.5 The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management.

8.6 The training needs of treasury management officers and members are periodically reviewed.

9 POLICY ON USE OF EXTERNAL SERVICE PROVIDERS

9.1 The Council recognises that responsibility for treasury management decisions remains with the Council at all times, and will ensure that undue reliance is not placed upon the services of our external service providers.

9.2 All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subject to regular review.

9.3 The Council currently uses Link Asset Services, Treasury solutions as its external treasury management advisors.

10 PRUDENTIAL INDICATORS

- 10.1 The CIPFA Prudential Code sets out a number of indicators for authorities to use to ensure that their capital expenditure plans are affordable. These fall under 2 subheadings:
- Prudential Indicators for Affordability
 - Prudential Indicators for Prudence.
- 10.2 The Council's proposed Prudential indicators are included as **Appendix 5**.

11 MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT

- 11.1 The Council is required to pay off an element of its accumulated capital borrowing need (the CFR) through an annual revenue charge (the Minimum Revenue Provision - MRP).
- 11.2 The Council will use the Asset life method of calculating MRP, which means MRP will be based on the estimated life of the assets.
- 11.3 Further details about MRP are included in **Appendix 6**.

12 BORROWING STRATEGY

Borrowing Requirement

- 12.1 The Authority is currently debt free. However, the capital expenditure plans show a need to borrow over the medium term.

Sources of Borrowing

- PWLB – The primary source for most local authority borrowing due to its cost effective pricing structure (eg a percentage over gilt yields).
- Bank overdraft – Can be cost effective for short term cashflow needs.
- Other local authorities – Can be cost effective for shorter dated maturities out to 3 years or so.
- Financial institutions (primarily insurance companies and pension funds but also some banks). Can be used to borrow out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).
- Municipal Bonds Agency – A developing viable alternative depending on market circumstances prevailing at the time of bond issue.

Policy on Borrowing in Advance of Need

- 12.2 The authority will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed.

- 12.3 Any decision to borrow in advance will be within the approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.
- 12.4 Risks associated with any borrowing in advance of activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

13 PROSPECTS FOR INTEREST RATES

- 13.1 The Council has appointed Link Asset Services as its treasury advisor and **Appendix 7** provides their advice on their advice on interest rates a number of other treasury related matters.

14 ISSUES AND RISKS

- 14.1 **Resource implications** – The Treasury Management Strategy ensures funding is available to meet the Council's needs. It also delivers investment income for the Council and helps to minimise the costs of borrowing.
- 14.2 **Legal implications** – Adoption of the CIPFA Code of Practice on Treasury Management is recommended by CIPFA and therefore falls within the remit of section 15 of the Local Government Act 2003.
- 14.3 Local authorities are required by Regulations 2 and 24 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146] to have regard to the current editions of the CIPFA codes of best practice.
- 14.4 **Equality implications** – Treasury decisions are made impartially, within the guidelines.
- 14.5 **Risks** – Treasury management is not risk free. The primary objective of the Council's Treasury Management function is to minimise risk to the principal amounts involved, whilst still maintaining optimum liquidity.

15 RECOMMENDATIONS

- 15.1 Cabinet is recommended to approve the following and recommend these to Council:
1. This Treasury Management Strategy Statement 2022/23
 2. The Treasury Management Policy Statement 2022/23 (**Appendix 1**)
 3. The Annual Investment Strategy 2022/23 (**Appendix 2**)
 4. The Treasury Management Practice (TMP1) (**Appendix 3**)
 5. The Treasury Management Scheme of Delegation (**Appendix 4**)
 6. The Prudential Indicators (**Appendix 5**)
 7. The Minimum Revenue Provision (MRP) Statement (**Appendix 6**).

Background Papers

CIPFA Treasury Management Code of Practice

CIPFA Prudential Code of Practice

Appendix 1: Treasury Management Policy Statement

The Council adopts the CIPFA definition of treasury management namely:

“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

The Council regards the successful identification, monitoring, and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The Council’s primary objective in relation to investments is the security of capital. The liquidity or accessibility of the Authority’s investments followed by the yield earned on investments remain important, but are secondary and tertiary considerations respectively.

The Council’s borrowing will be affordable, sustainable, and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken, and the type of borrowing should allow the Council transparency and control over its debt.

Where the Council has made commercial investments in property, in wholly owned companies or in joint ventures, the performance of these investments will be monitored and reported in line with the overall Treasury Management policy.

The Council, in making investments through its treasury management function, supports the ethos of socially responsible investments. We will actively seek to communicate this support to those institutions we invest in as well as those we are considering investing in by:

- encouraging those institutions to adopt and publicise policies on socially responsible investments;
- requesting those institutions to apply council deposits in a socially responsible manner.

Appendix 2: Annual Investment Strategy

1. The Annual Investment Strategy sets out the Authority's:
 - Investment Approach
 - Investment Risk Management Policy
 - Creditworthiness Policy
 - Other Investment Limits
 - Investment Risk Benchmarking.

Investment Approach

2. Cash investments will be made with reference to the core balance and cash flow requirements, and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).
3. Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow and to fund the Council's capital programme, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.
4. For its cash flow generated balances, the Council will seek to utilise instant access and notice accounts, money market funds and short-dated deposits, (overnight to 364 days), in order to benefit from the compounding of interest.
5. If there is a risk that the Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable. Conversely, if the risk is that Bank Rate is likely to fall significantly within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment Risk Management Policy

6. The Council's Investment Risk Management Policy has regard to the following:
 - DLUHC's Guidance on Local Government Investments ("the Guidance")
 - CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the Code")
 - CIPFA Treasury Management Guidance Notes.
7. As set out in the Treasury Management Policy Statement, the Council's investment priorities will be security first, portfolio liquidity second and then yield (return).
8. The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:
 - Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of

concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

- Other information: Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to monitor market pricings such as “credit default swaps” and overlay that information on top of the credit ratings.
 - Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
 - This authority has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists under the categories of ‘specified’ and ‘non-specified’ investments.
 - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
 - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
 - **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 12.
 - **Transaction limits** are set for each type of investment.
 - This authority will set a limit for the amount of its investments which are invested for longer than 365 days.
 - Investments will only be placed with counterparties from countries with a specified minimum sovereign rating.
 - This authority has engaged external consultants, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
 - All investments will be denominated in sterling.
9. This authority will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

10. As a result of the change in accounting standards for 2020/21 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Department for levelling Up, Housing and Communities, [DLUHC], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18.)

Creditworthiness Policy

11. The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:
- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
 - It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
12. The Section 151 Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.
13. Credit rating information is supplied by our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur, and this information is considered before dealing. For instance, a negative rating Watch applying to counterparty at the minimum Council criteria may be suspended from use, with all others being reviewed in light of market conditions.
14. The criteria for providing a pool of high-quality investment counterparties, (both specified and non-specified investments) is:
- Banks 1 - good credit quality – the Council will only use banks which:
 - i. are UK banks; and/or
 - ii. are non-UK and domiciled in a country which has a minimum sovereign Long-Term rating of AA, matching the UK's rating.and have, as a minimum, the following Fitch, Moody's and Standard & Poor's credit ratings (where rated):

	Fitch	Moody's	Standard & Poor's
Short Term	F1	P1	A-1
Long Term	A-	A3	A-

- Banks 2 – Part nationalised UK bank – Royal Bank of Scotland ring-fenced operations. This bank can be included provided it continues to be part nationalised or it meets the ratings in Banks 1 above.
- Banks 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested. The Council's provider of banking services is Barclays Bank PLC.
- Bank subsidiary and treasury operation -. The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Building societies. The Council will use all societies which meet the ratings for banks outlined above
- Money Market Funds (MMFs) CNAV (consistent net asset value) – AAA
- Money Market Funds (MMFs) LVNAV (low volatility net asset value) – AAA
- Money Market Funds (MMFs) VNAV (variable net asset value) – AAA
- UK Government (including gilts, Treasury Bills and the Debt Management Account Deposit Facility (DMADF)).
- Local authorities, parish councils etc subject to due diligence
- Housing associations subject to due diligence
- The Authority may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may provide considerably higher rates of return. They will however only be made following a favourable external credit assessment, on the specific advice of the Authority's treasury management adviser and on the provision of appropriate security, e.g. through a charge on assets.

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

Time and monetary limits applying to investments

16. The criteria for specified and non-specified investments are detailed in TMP1. The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both specified and non-specified investments):

	Fitch Long Term Rating (or equivalent)	Money Limit	Time Limit
Banks 1 higher quality	AA-	£12.5m	2 years
Banks 1 medium quality	A	£10m	18 months
Banks 1 lower quality	A-	£7.5m	1 year
Banks 2 – part nationalised	N/A	£12.5m	2 years
Limit 3 category – Council's banker (not meeting Banks 1)	N/A	£12.5m	6 months
Other institutions limit	-	£5m	1 year
DMADF (debt management account deposit facility)	UK sovereign rating	unlimited	2 years
Local authorities	N/A	£7.5m	2 years
Housing associations higher quality	AA	£10m	2 years
Housing associations medium quality	A	£7.5m	1 year
Housing associations lower quality	A-	£5m	1 year
	Fund rating	Money Limit	Time Limit
Money Market Funds CNAV (constant net asset value)	AAA	£10m	liquid
Money Market Funds LVNAV (low volatility net asset value)	AAA	£10m	liquid
Money Market Funds VNAV (variable net asset value)	AAA	£10m	liquid

Other Investment Limits

17. Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.
- a) **Country limit.**
The Council has determined that it will only use approved counterparties from countries with a **minimum sovereign credit rating of AA** from Fitch (or equivalent).
- b) **Other limits.**
In addition:
- no more than £5 million of total cash will be placed with any non-UK country at any time;
 - limits in place above will apply to a group of companies;
 - sector limits will be monitored regularly for appropriateness.

Investment Risk Benchmarking

18. In order to ensure security, the Council will use appropriate benchmarks. These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position

and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or Annual Report. The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- 0.1% (1 in 1000) historic risk of default when compared to the whole portfolio.
- This benchmark is an average risk of default measure and would not constitute an expectation of loss against a particular investment.

19. Liquidity – in respect of this area the Council seeks to maintain:

- Bank overdraft - £0m
- Liquid short-term deposits of at least £4m available with a week's notice.

20. Yield - local measures of yield benchmarks are:

- Investments – internal returns above the 7-day LIBID rate. LINK, the Council's treasury advisors have stated that they will maintain continuity by providing clients with LIBID investment benchmark rates on the current basis with a view to communicating with clients when full financial market agreement is reached on how to replace LIBOR (the LIBID rate is derived from LIBOR). This is likely to be an iteration of the overnight SONIA rate.

Appendix 3: Treasury Management Practice (TMP1) Credit and Counterparty Risk Management

1. Treasury Management Practices set out the manner in which the Council will seek to achieve the Treasury Management policies and objectives, and prescribe how it will manage and control those activities.
2. This TMP covers Credit and Counterparty Risk Management.

Guidance

3. DLUHC issued Investment Guidance in 2018, and this forms the structure of the Council's policy below.
4. The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective, the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council has adopted the Code and applies its principles to all investment activity. In accordance with the Code, the Section 151 Officer has produced its treasury management practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.

Annual Investment Strategy

5. The key requirements of both the Code and the investment guidance are to set an Annual Investment Strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:
 - The strategy guidelines for choosing and placing investments, particularly non-specified investments.
 - The principles to be used to determine the maximum periods for which funds can be committed.
 - Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
 - Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.
6. The investment policy proposed for the Council is:

Specified Investments

7. These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

- The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
- Supranational bonds of less than one year's duration.
- A local authority, housing association, parish council or community council.
- Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's and / or Fitch rating agencies.
- A body that is considered to be of a high credit quality (such as a bank or building society). For category 5 this covers bodies with a minimum Short-Term rating of A- (or the equivalent) as rated by Standard and Poor's, Moody's and / or Fitch rating agencies.

8. Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. These criteria are set out in the report in Appendix 2 para. 15.

Non-specified investments

9. These are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below.
10. Non-specified investments would include any sterling investments with:

	Non-Specified Investment Category	Limit (£)
a.	Gilt edged securities with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. The value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	£5 million
b.	The Council's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	£12.5 million
c.	Any bank or building society that has a minimum long-term credit rating of A-, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	£10 to £12.5 million depending on the institution
d.	Any non-rated subsidiary of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to the same criteria as for the parent company and assurance on the robustness of the group structure.	As per parent company, but total limit not to be exceeded

	Non-Specified Investment Category	Limit (£)
e.	Share capital in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. See note 1 below.	£20 million
f.	Loan capital in a body corporate. See note 1 below.	£30 million
g.	Bond funds. See note 1 below.	
h.	Property funds – The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. This Authority will seek guidance on the status of any fund it may consider using.	

Note. This Authority will seek further advice on the appropriateness and associated risks with investments in these categories.

Within categories b and c, and in accordance with the Code, the Council has developed additional criteria to set the overall amount of monies which will be invested in these bodies.

[The Monitoring of Investment Counterparties](#)

11. The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly).
12. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest.
13. Any counterparty failing to meet the criteria will be removed from the list immediately by the Section 151 Officer, and new counterparties which meet the criteria will be added to the list.

Approved Countries for Investments

14. This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

Based on lowest available rating

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Qatar
- U.K.

15. The following countries, although they meet the minimum required sovereign rating, are not approved for investment.

AA-

- Hong Kong

Appendix 4: Treasury Management Scheme of Delegation

The following Treasury Management Scheme of Delegation shall apply.

Full Council

The following matters are the responsibility of Full Council:

- Approval of annual strategy.
- Approval of / amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices.
- Budget consideration and approval.
- Approval of the division of responsibilities.

Cabinet

The following matters are delegated to Cabinet:

- Reviewing the treasury management policy and procedures and making recommendations to the responsible body.
- Receiving and reviewing reports on treasury management policies, practices and activities.
- Receiving and reviewing regular monitoring reports and making recommendations to the responsible body.
- Approving the selection of external service providers and agreeing terms of appointment.
- Receiving and reviewing regular monitoring reports and acting on recommendations.

s151 (responsible) officer

The following matters are delegated to the Council's s151 Officer:

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance.
- Submitting regular treasury management policy reports.
- Submitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensuring the adequacy of internal audit, and liaising with external audit.
- Recommending the appointment of external service providers.
- Preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe of at least 20 years.

- Ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money.
- Ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority.
- Ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing.
- Ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources.
- Ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities.
- Provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees.
- Ensuring that members are adequately informed and understand the risk exposures taken on by an authority.
- Ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above.
- Creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following:
 - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios.
 - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments.
 - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making.
 - Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken.
 - Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

Appendix 5: Prudential Indicators

Prudential Indicator for Affordability 1 - Capital expenditure

1. This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

	Estimated Outturn 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000	Estimate 2026/27 £'000
Total Capital Expenditure	13,154	25,270	26,285	6,529	19,361	8,123

Prudential Indicator for Affordability 2 – Financing Cost to Net Revenue Stream

2. This prudential indicator calculates the ratio of financing costs to net revenue stream. Financing costs are broadly defined as the net of the return on investments and other financial assets, against the payments made on debt and similar financial liabilities.
3. This is a measure of the authority's ability to meet any debt payments from its revenue. An increasing positive figure indicates an increasing inability to meet such payments.

	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26	Estimate 2026/27
Financing Cost	-939,340	-574,400	-394,300	-121,800	195,700
Net Revenue Stream	15,006,000	14,319,000	14,713,000	15,002,000	15,296,000
Ratio of Financing Costs to Net Revenue Stream	-6.26%	-4.01%	-2.68%	-0.81%	1.28%

Prudential Indicator for Affordability 3 – Capital Financing Requirement

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

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

	Estimated Outturn 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000	Estimate 2026/27 £'000
Total Capital Expenditure	13,154	25,270	26,285	6,529	19,361	8,123
Capital receipts	-1,928	-1,063	-9,102	-2,700	-13,900	-5,675
Capital grants	-2,494	-3,061	-2,126	-2,062	-4,012	-1,012
S106 Funds	-25					
Revenue	-3,607	-11,146	-5,057	-1,767	-1,449	-1,436
Net financing need for the year (borrowing required)	5,100	10,000	10,000	0	0	0

Prudential Indicator for Affordability 4 – External Debt

6. The **authorised limit** for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
7. The **operational boundary**. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000	Estimate 2026/27 £'000
Total CFR	20,736	28,736	26,994	23,684	12,900	7,162
External Borrowing	0	10,000	20,000	20,000	20,000	20,000
Total Debt	0	10,000	20,000	20,000	20,000	20,000
Authorised Limit	35,000	40,000	40,000	35,000	25,000	20,000
Operational Boundary	25,000	35,000	35,000	30,000	20,000	15,000

8. Full Council should be advised at the earliest opportunity if the Operational Boundary is exceeded. The Authorised Limit must not be exceeded without formal agreement in advance by Council.

Prudential Indicator for Prudence 1 – Gross Debt and the Capital Financing Requirement

9. Within the range of prudential indicators, there are a number of key indicators to ensure that the Council operates its activities within well-defined limits.
10. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.
11. The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting that the Council will be under borrowing by **£8.7** million in 2022/23 as it will be using its cash instead of incurring external debt (internal borrowing). The cost of internal borrowing is the interest foregone from cash investments, but this is less than the interest rates the Council would pay on external borrowing. Both internal and external borrowing have to be repaid over time, however Minimum Revenue Provision is provided only for borrowing not associated with Council owed companies in line with the MRP Policy.

	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000	Estimate 2026/27 £'000
External Debt at 1 April	0	0	10,000	20,000	20,000	20,000
Expected change in External Debt	0	10,000	10,000	0	0	0
Actual gross external debt at 31 March	0	10,000	20,000	20,000	20,000	20,000
The Capital Financing Requirement	20,736	28,736	26,994	23,684	12,900	7,162
(Under)/over borrowing	-20,736	-8,736	-8,047	-3,684	7,100	12,838

12. The S151 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

Prudential Indicator for Prudence 2- Maturity structure of borrowing

13. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

	Lower Limit (Cumulative)	Upper Limit (Cumulative)
Under 12 months	0%	50%
12 months to 2 years	0%	80%
2 years to 5 years	0%	90%
5 years to 10 years	0%	95%
10 years and above	0%	100%

14. If the authority decides to take up long-term debt to finance a major capital project in the future, it will discuss the matter with its treasury advisors to determine the best option in terms of repayment pattern, term and whether fixed or variable rates would be more efficient.

Prudential Indicator for Prudence 3 – Principal sums invested for longer than 365 days

15. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

	Estimate 2020/21 £'000	Estimate 2022/23 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000
Principal sums invested for longer than 365 days	5,000	5,000	5,000	5,000	5,000

Appendix 6: MRP Statement

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) and Guidance on Minimum Revenue Provision (MRP) requires full Council to approve a statement of its MRP policy in respect of the forthcoming financial year, indicating which of the four options set out in the Guidance are to be followed in the financial year:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

The Council has adopted Option 3 as its policy.

This means MRP will be based on the estimated life of the assets, in accordance with the regulations. This option provides for a reduction in the borrowing need over approximately the asset's life.

MRP in respect of leases brought on balance sheet under the IFRS-based Local Authority Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

The Authority has established a number of wholly owned companies (Big Sky Developments Ltd, Big Sky Property Management Ltd) and has provided loans from the Authority to the companies.

With the exception of overdrafts for working capital purposes, the cash advances will be used by the companies to fund capital expenditure and should therefore be treated as capital expenditure and a loan to a third party. If the Council borrows to fund these loans, the Capital Financing Requirement (CFR) will increase by the amount of loans advanced and once loans are repaid to the Authority the CFR will reduce accordingly.

As the Authority is satisfied that the companies will make repayments over the life of the capital programme, we do not deem it necessary to set aside MRP for repayment of this debt. However, if there is a doubt about the companies' ability to repay the loans, we will start to provide MRP over the life of the loans.

MRP Overpayments

Any MRP charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2022 the total VRP overpayments were £0.

Appendix 7: Prospects for Interest Rates

The Council has appointed Link Asset Services as its treasury advisor and this appendix provides their advice on a number of treasury related matters.

Interest Rates

The following table gives Link's central view on interest rates.

Link provided the following forecasts on 20.12.21. These are forecasts for certainty rates, gilt yields plus 80bps:

Link Group Interest Rate View 20.12.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Additional notes by Link on this forecast table: -

- *LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In the meantime, our forecasts are based on expected average earnings by local authorities for 3 to 12 months.*
- *Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.*

Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

Gilt yields / PWLB rates

Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates above shows, there is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period.

While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on our gilt yields. As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields. This is a significant upward risk exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.

There are also possible downside risks from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to monitor.

As the US financial markets are, by far, the biggest financial markets in the world, any upward trend in treasury yields will invariably impact and influence financial markets in other countries. Inflationary pressures and erosion of surplus economic capacity look much stronger in the US compared to those in the UK, which would suggest that Fed rate increases eventually needed to suppress inflation, are likely to be faster and stronger than Bank Rate increases in the UK. This is likely to put upward pressure on treasury yields which could then spill over into putting upward pressure on UK gilt yields.

The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within the forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and Russia, China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

Investment and Borrowing Rates

Investment returns are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.

Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.

On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The current margins over gilt yields are as follows:

- PWLB Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB Certainty Rate is gilt plus 80 basis points (G+80bps)
- PWLB HRA Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB HRA Certainty Rate is gilt plus 80bps (G+80bps)
- Local Infrastructure Rate is gilt plus 60bps (G+60bps)

Creditworthiness

Significant levels of downgrades to short- and long-term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

CDS prices

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

Scrutiny Committee – Work Programme

In setting future Scrutiny **TOPICS**, members are asked to consider the following: **T**imely – **O**bjective – **P**erformance – **I**nterest – **C**orporate Priority

T Is this the right **time** to review this issue and is there sufficient **officer time** and resource to conduct the review? What is the **timescale**?

O What is the reason for review; do officers have a clear **objective**?

P Can **performance** in this area be improved by input from Scrutiny?

I Is there sufficient **interest** (particularly from the public)? The concerns of local people should influence the issues chosen for scrutiny.

C Will the review assist the Council to achieve its **Corporate Priorities**?

Date of meeting	Topic	Organisation / Officer / Responsible member	Objectives
10 Feb 2022	2022/23 Budget & Longer-Term Financial Strategy	S151 Officer; and Portfolio Holder for Finance & Resources	Scrutiny Committee to consider the Council's 2022/23 budget and the recommendations of Cabinet. Members to also formulate a recommendation to Council regarding the budget for consideration at its meeting later in February 2022.
23 Feb 2022	Call-in only		
30 March 2022	<i>No items scheduled</i>		
5 May 2022	Early Help Approach and model	Assistant Director – Individuals & Families; and Portfolio Holder for Better Lives	The Committee to consider and review the Council's Early help Approach and the future model and make any recommendations to Cabinet. Partners in the Hub to also be invited to attend the meeting to provide further evidence.
June 2022	Review of Housing Best in Class model	Housing and Wellbeing Senior Manager and Portfolio Holder for Better Lives	Members to consider whether the aims of the Best in Class Housing Review have been met. The Committee to also review the Council's Housing Allocations Policy after 12 months of operation. The Committee to make appropriate recommendations.
	Community Safety Update	Assistant Director – Individuals & Families; and Portfolio Holder for Better Lives	The Committee to receive an update on work being undertaken by the Norfolk County Community Safety Partnership and the Council. Members will have the opportunity to review work undertaken and make any recommendations regarding the future approach, as appropriate.
July 2022	Leisure Recovery Plan	Assistant Director – Community Services & Leisure Operations Manager; & Portfolio Holder for Customer Focus	Scrutiny Committee to review and assess the progress with the Leisure Recovery Plan. Members to make recommendations as appropriate

Date of meeting	Topic	Organisation / Officer / Responsible member	Objectives
Aug 2022	Call-in only		
Nov 2022	Member Led Grants	Assistant Director – Individuals & Families; and Portfolio Holder for Better Lives	The Committee to assess the funding allocations and outcomes achieved from the Member Led Grants and make recommendations as appropriate
Dec 2022	Norfolk County Community Safety Partnership Plan	Assistant Director – Individuals & Families; and Portfolio Holder for Better Lives	Scrutiny Committee to consider the Norfolk County Community Safety Partnership Plan (NCCSP) to review its effectiveness and progress towards meeting the objective and targets set.
Jan 2023	Environment Strategy	Environment Manager and Portfolio Holder for Clean & Safe Environment	Scrutiny Committee to review the effectiveness of the 2020-2025 Environment Strategy and assess whether outcomes have been achieved. The Committee to also be updated on consideration of its suggestions at the review undertaken in January 2022. Members to make recommendations as appropriate.
Feb 2023	2023/24 Budget & Longer-Term Financial Strategy	S151 Officer; and Portfolio Holder for Finance & Resources	Scrutiny Committee to consider the Council's 2023/24 budget and the recommendations of Cabinet. Members to also formulate a recommendation to Council regarding the budget for consideration at its meeting later in February 2023.

Scrutiny Recommendation Tracker 2021/22

Date	Topic	Responsible Officer	Resolution and Recommendations	Response / Progress	Outcome
21 July 2021	COMMUNITY SAFETY UPDATE	Assistant Director of Individuals and Families	<p>RESOLVED To</p> <p>1. Recommend that:</p> <ul style="list-style-type: none"> a. Norfolk Constabulary increase promotion and publicity of outcomes in relation to action taken. b. Norfolk Constabulary increase their support to rural communities. c. Council officers attend street surgeries conducted by Norfolk Constabulary. <p>2. Support the Strategic Plan 2021-2024.</p>	<p>Officer supported proposal in Committee meeting</p> <p>Cttee advised that the NCCSP have more resources than ever before to enable them to meet demand and that each District had a dedicated Locality Officer that could prove useful to members.</p> <p>This is being considered, alongside joint comms and other events with the Police</p> <p>No further action required</p>	<p>This piece of scrutiny provided members with a valuable insight into the work of the Norfolk County Community Safety Partnership. It also gave members the opportunity to review the proposed Strategic Plan and provide the Partnership with the views of Council.</p> <p>In addition, more generally, the committee was able to provide comments on community safety in the District and what members considered to be the biggest issues that were faced by their communities.</p>

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8 Dec 2021	HOUSING ALLOCATION POLICY REVIEW	Assistant Director of Individuals and Families	<p>RESOLVED to:</p> <p>recommend to Cabinet that the proposed changes to the Housing Allocation Policy be adopted, however that the Housing Priority Bands be renamed to <i>‘Emergency Band, Band 2, Band 3, and Band 4’</i></p>	<p><u>Rejected</u>: Cabinet did not change the names of Priority Bands, based on customer feedback post Scrutiny Committee</p>	<p>The Committee was able to provide valuable pre-scrutiny of the Policy review, ahead of it's final consideration and decision by Cabinet.</p> <p>Members were able to gain an understanding of the scheme and how changes in work practices had assisted the Team become more efficient and assist more vulnerable residents</p>
8 Dec 2021	MEMBER WARD GRANT – SPEND REVIEW	Assistant Director of Individuals and Families	<p>RESOLVED to:</p> <ol style="list-style-type: none"> Note the spend of the member-led grant scheme against the ground rules Encourage all members to commit their funds by 31 December 2021, and work with the Communities Team if they were struggling to find projects to fund Recommend to Cabinet that the Member-Led Grant Rules be amended to allow all underspend to be rolled over into the next financial year's Community Action Fund budget. 	<p>No further action required</p> <p>Members were encouraged and spent the majority of the funding available.</p> <p><u>Accepted</u>: Cabinet agreed to allow for any underspend from the members ward fund to be rolled over to the next FY's CAF budget.</p>	<p>The Committee reviewed the spend to date of the member ward grant budget and were able to assess whether the decisions taken by members regarding the allocation of their funding was in line with the ground rules. This enables the Council to ensure good governance of the Scheme.</p> <p>Members were also able to evaluate the impact on the scheme on both the local community and demand on Council services. The Committee was pleased to note the positive effect that the funding had realised via the projects that Councillors had assisted.</p>

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19 Jan 2022	REVIEW OF ENVIRONMENTAL STRATEGY DELIVERY	Assistant Director – Regulatory	RESOLVED to <ol style="list-style-type: none"> Note the Contents of the report Recommend that the suggestions outlined by the Committee (see above) are considered by officers and reported back to the Scrutiny Committee in 12 months, alongside an update/progress report on the effectiveness of the 2020-2025 Environmental Strategy and assessment of outcomes achieved Recommend to officers the investigation of extra resources to strengthen capacity to deliver the Council's Environmental Strategy, as outlined in the conclusions of the report. 	<p>No further actions required</p> <p>No update currently</p> <p>Officers will investigate the use of additional resources</p>	<p>The Council's Environmental Strategy set out areas of specific interest and concern, together with the council's own commitments and aspirations for communities to take action.</p> <p>It is essential that the Council and its Committees can ensure that the commitments we have set are delivered and the Scrutiny Committee has played a vital role in securing this and monitoring future works plans.</p>

CABINET CORE AGENDA 2021/22

Date	Key	Title of Report	Responsible Officer	Portfolio Holder	Exempt
7 Feb	Key	Procurement for EIAS Internal Audit	Fay Haywood	Adrian Dearnley	Exempt
		Minimum Energy Standards	Mike Pursehouse	Alison Thomas	
		In Year Budget Options	Rodney	Adrian Dearnley	
	Key	Adoption of Norfolk Green Infrastructure and Recreational Impact Avoidance and Mitigation Strategy	Paul Harris	Lisa Neal	
	Key	Establishing a Community Infrastructure Fund	Emily Larter / Sally Hoare	Lisa Neal	
	Key	2022 Microsoft Enterprise Agreement	Corinne Lawrie	Kay Mason Billig	Exempt
	Key	GN 5 Year Infrastructure Investment Plan	Paul Harris	John Fuller	
	Key	Council Tax Assistance	Richard Dunsire	Alison Thomas	
	Key	Revenue Budget and Council Tax	Rodney Fincham	Adrian Dearnley	
	Key	Capital Strategy and Capital Programme	Rodney Fincham	Adrian Dearnley	
	Key	Treasury Management Strategy Statement 22/23	Rodney Fincham	Adrian Dearnley	
		In Year Budget Options	Rodney Fincham	Adrian Dearnley	
	Key	Delivery Plan and Budget 22/23 and 23/24	Sinead Carey / Rodney Fincham	Adrian Dearnley	
14 Mar	Key	South Norfolk and Broadland Rough Sleeper Strategy 2022-25	Richard Dunsire	Alison Thomas	
	Key	Revenues and Benefits System	M Pursehouse / R Finch	Adrian Dearnley	
		Covid Recovery Plan – Progress Update	Jamie Sutterby	John Fuller	
		Submission of the Wymondham Neighbourhood Plan	Richard Squires	John Fuller/ Lisa Neal	
		Submission of Tivetshall Neighbourhood Plan	Richard Squires	John Fuller / Lisa Neal	
		Q3 Performance, Risk and Finance Report	Sinead Carey	Kay Mason Billig	
19 Apr	Key	Submission of Diss and District Neighbourhood Plan	Richard Squires	John Fuller/ Lisa Neal	

Key decisions are those which result in income, expenditure or savings with a gross full year effect of £100,000 or 10% of the Council's net portfolio budget whichever is the greater which has not been included in the relevant portfolio budget, or are significant (e.g. in environmental, physical, social or economic) in terms of its effect on the communities living or working in an area comprising two or more electoral wards in the area of the local authority.