


Agenda Item No:	12	
Committee:	Council	
Date:	20 February 2023	
Report Title:	General Fund Budget Estimates 2023/24 and Medium Term Financial Strategy (MTFS) 2023/24 to 2027/28; Capital Programme 2023 - 2026	

Cover sheet:

1 Purpose / Summary

To consider the Cabinet recommendations in relation to:

- the General Fund Budget Estimates 2023/24 and the Medium Term Financial Strategy 2023/24 to 2027/28;
- the Council Tax levels for 2023/24;
- the Capital Programme 2023-2026;
- the Treasury Management Strategy Statement, Capital Strategy and Annual Treasury Investment Strategy for 2023/24.

2 Key issues

- The Final Local Government Finance Settlement was announced on 6 February 2023. This provided £398,995 additional resources (excluding business rates income) compared with what was included in the draft budget report in December 2022.
- As a result of the Business Rates revaluation exercise and the decision to freeze the business rates multiplier, the Business Rates Baseline and Tariff Payments have been amended in 2023/24 (see Table 1).
- Council at its meeting on 18 July 2019, agreed to re-position the MTFS to show 0% Council Tax increases through to 2023/24. This report shows a 2% reduction in Council Tax for 2023/34 but extends the MTFS period showing 0% increases thereafter to 2027/28.
- Council Tax Referendum limits for 2023/24 have been set at an increase of 3% or £5 whichever is the higher.
- Latest projections for 2022/23 are showing a surplus of £69k.
- Current forecasts for 2023/24 show a surplus of £166k based on the assumptions detailed in Appendix C, before any adjustment to the level of Council Tax and a surplus of £4k after applying a 2% reduction to the level of Council Tax for 2023/24. It is proposed that a contribution of £4k to the Budget Equalisation Reserve be made to achieve a balanced budget. The MTFS projects shortfall increases year on year, reaching £1.918m in 2027/28. Projected shortfalls in the MTFS are usual, both in FDC and in Local Government generally. They represent the challenge to be faced in future years in reaching a balanced budget position each year. Any decision this year to reduce the level of Council Tax necessarily increases the scale of that challenge.

- Although there are currently many uncertainties regarding the budget for 2023/24 and the MTFS, there remains a significant structural deficit which the Council will need to address. The ongoing Transformation 1 programme (of process mapping and internal service realignment) and the incipient Transformation 2 programme (of re-basing the establishment and underlying operation environments of the Council) will be crucial in helping to address that long-standing structural deficit.
- An updated Capital Programme for 2022/23 and for the medium term 2023-26 is proposed.

3 Recommendations

- **It is recommended by Cabinet that:**
 - (i) the General Fund revenue budget for 2023/24 as set out in Section 8 and Appendix A be approved;
 - (ii) the Medium Term Financial Strategy as outlined in this report and Appendix B be adopted;
 - (iii) the Capital Programme and funding statement as set out in Appendix D be approved;
 - (iv) the adoption of the additional Business Rates Relief measures as detailed in Section 6 using Discretionary Relief Powers be approved;
 - (v) the expenses detailed in Section 11 be approved to be treated as general expenses for 2023/24;
 - (vi) the Port Health levy for 2023/24 be set as shown in Section 12;
 - (vii) the adoption of the Council Tax Support Fund proposals as detailed in paragraphs 13.16 – 13.22 of this report, using discretionary powers be approved;
 - (viii) the current working age Council Tax Support Scheme be adopted with effect from 1 April 2023 as set out in Section 14, with appropriate changes to the prescribed pensioner scheme as determined by regulations;
 - (ix) that subject to the relevant legislation being passed and as detailed in Section 15:
 - (a) to agree to shorten the period that a 100% Council Tax premium on long term empty dwellings is payable from the current 2 years (empty) to 1 year from 1 April 2024.
 - (b) to agree to implement the 100% Council Tax premium on all second homes from 1 April 2024 (if legislation passed before 31 March 2023).
 - (x) the Treasury Management Strategy Statement, Minimum Revenue Provision, Treasury Investment Strategy, Prudential and Treasury Indicators for 2023/24 and Capital Strategy 2023/24 as set out in Section 15 and Appendix E be approved;
 - (xi) the Band D Council Tax level for Fenland District Council Services for 2023/24 be set at £255.24, a decrease of 2% (£5.22) on the current year.

Wards Affected	All
Portfolio Holder(s)	Cllr Chris Boden, Leader and Portfolio Holder, Finance
Report Originator(s)	Peter Catchpole, Corporate Director and Chief Finance Officer (S.151 Officer) Mark Saunders, Chief Accountant
Contact Officer(s)	Paul Medd, Chief Executive Peter Catchpole, Corporate Director and Chief Finance Officer (S.151 Officer) Mark Saunders, Chief Accountant
Background Paper(s)	Final Finance settlement – Department for Levelling Up, Housing & Communities (DLUHC). Autumn Statement 2022 (HM Treasury) Medium Term Financial Strategy working papers. Government announcements since February 2022.

This report contains the following Appendices:

Appendices

- A. (i) General Fund Revenue Estimates - Summary
(ii) General Fund Revenue Estimates – Individual Services
- B. Medium Term Financial Strategy (MTFS)
- C. Assumptions built into Budget and Medium Term Strategy
- D. Capital Programme
- E. Treasury Management Strategy Statement, Minimum Revenue Provision Strategy, Annual Treasury Investment Strategy and Prudential Indicators
- E. Annex A Capital Strategy
- F. Parish Precepts
- G. Earmarked Reserves

Report:

1 INTRODUCTION

- 1.1 This report sets out the financial implications of the council's priorities described in the Business Plan 2023/24. The Revenue budget estimates and the Capital Programme are final at this stage for approval. The draft Business Plan 2023/24 and draft Budget Estimates 2023/24 considered by Cabinet on 12th December 2022 together were subject to a public and stakeholder consultation from 4th January to 31st January 2023, prior to final budget and council tax setting for 2023/24 on 20th February 2023. The results from the consultation are published on the Council's website. There were a small number of comments in favour of increasing Council Tax.
- 1.2 The Overview and Scrutiny Panel considered the Draft Budget 2023/24 and MTFs on 16 January 2023 and made its comments to the Cabinet. Members asked questions, made comments and received responses from Officers and Portfolio Holders. The Panel agreed to note the revised General Fund Budget and Capital Programme for 2022/23 and agreed to send the Draft General Fund Budget Estimates 2023/24 and the Draft Medium Term Financial Strategy 2023/24 to 2027/28 for consultation. They also approved the Capital Programme 2023-2026.
- 1.3 Much of the financial information is necessarily based on a number of assumptions which are wholly or partly influenced by external factors. However, where final actual costs and revenue is known then they are included, for example the Final Local Government Finance Settlement for 2023/24 was announced on 6 February 2023. In addition, the Business Rates income estimates have been finalised following completion of the 2023/24 NNDR1 return at the end of January 2023, which incorporated the impact of the revaluation exercise effective from 1 April 2023. Equally, some additional costs and income discussed later in this report have been updated since the Draft Budget Estimates were prepared.

2 AUTUMN STATEMENT 2022

- 2.1 On 17 November 2022, the Chancellor delivered his Autumn Statement and confirming the Government's spending plans for the next two years, 2023-24 and 2024-25.
- 2.2 The relevant points for this Council from these announcements are as follows:

Council Tax

- A proposed Council Tax referendum limit of 3% (or £5 whichever is the higher), together with an additional 2% increase for authorities with responsibilities for Adult Social Care;

Business Rates

- The 2023 Revaluation will go ahead as planned and the following measures are designed to help off-set the impact of the revaluation as well as other financial pressures on businesses;
- **Transitional relief scheme** (government funded) for 2023 Revaluation (£1.2bn in 2023-24). This has no effect on billing authorities, it simply makes the transitional scheme more generous;
- **Retail, Hospitality and Leisure Relief (RHL)** will continue in 2023-24 with the level of relief increasing from 50% to 75% with a maximum of £110,000 per business. Local authorities will be compensated in the usual way through S31 grants;
- **3-year support for small businesses** (scheme for properties losing Small Business Rates Relief or Rural Rates Relief), Again, local authorities will be fully compensated;

- **The business rates multiplier in 2023/24 will be frozen** (normally this would increase in line with inflation as determined by the CPI rate as at September 2022, ie.10.1%). Local authorities will be fully compensated for the decision to freeze the multiplier;
- Local authorities' business rate baseline funding levels will be amended as a result of the impact of the revaluation. This could potentially have either a positive or negative impact on the Council's overall business rates income;

Core Spending Power and Other Announcements

- There will be cash-terms growth in Core Spending Power (CSP) in 2023-24 and 2024-25 because of the increases in social care funding and Band D thresholds. Growth is likely to be less than inflation, however.
 - No change in the allocations from SR21 means that the Settlement Funding Assessment should remain unchanged in 2023-24 and 2024-25. Looking further ahead, unprotected services are likely to reduce by 0.7% in real terms after 2025.
 - Funding provided in 2022-23 for the 1.25% increase in National Insurance Contributions (now reversed) is being clawed back from the additional grant funding provided to Councils, by approximately £200m in 2023-24 and 2024-25. Consequently, we have assumed a reduction in our Services Grant allocation.
 - Full details of the allocation of funding within CSP will be announced later this month in the 2023-24 Finance Settlement. There are still a number of issues remaining to be resolved, even though there is no change in the overall allocations. Decisions will have to be made about Lower Tier Services Grant (LTSG), 2022-23 Services Grant and the New Homes Bonus.
 - Local government funding reforms (Fair Funding Review and business rates retention changes) have been pushed back to at least 2025/26;
 - There has been no further announcement on the future of the New Homes Bonus (NHB). It is expected that the amount of NHB will reduce although there is likely to be some form of housing growth incentive;
- 2.3 Details of how these have been converted into specific funding allocations for individual local authorities were announced as part of the final local government finance settlement on 6 February 2023.

3 LOCAL GOVERNMENT FINANCE SETTLEMENT 2023-24

- 3.1 The Final Finance Settlement for 2023/24 was announced on 6 February 2023. There were no changes to the overall allocations from the Provisional Finance Settlement.
- 3.2 The Council's Settlement Funding Assessment for 2023/24 is made up of its Business Rates Baseline Funding and a small allocation of Revenue Support Grant (after this was phased out in 2019/20). This is detailed in Table 1 below. As a result of the Business Rates revaluation exercise and the decision to freeze the business rates multiplier, the Business Rates Baseline and Tariff Payments have been amended in 2023/24.

Table 1 – Settlement Funding Assessment (Core Funding)

	Actual 2022/23 £000	Actual 2023/24 £000	2023/24 % Increase
Settlement Funding Assessment			
Revenue Support Grant	173	173	0.0%
Business Rates income	9,729	11,207	
Tariff Payment to government	<u>-6,027</u>	<u>-7,367</u>	
Business Rates Baseline Funding	3,702	3,840	3.7%

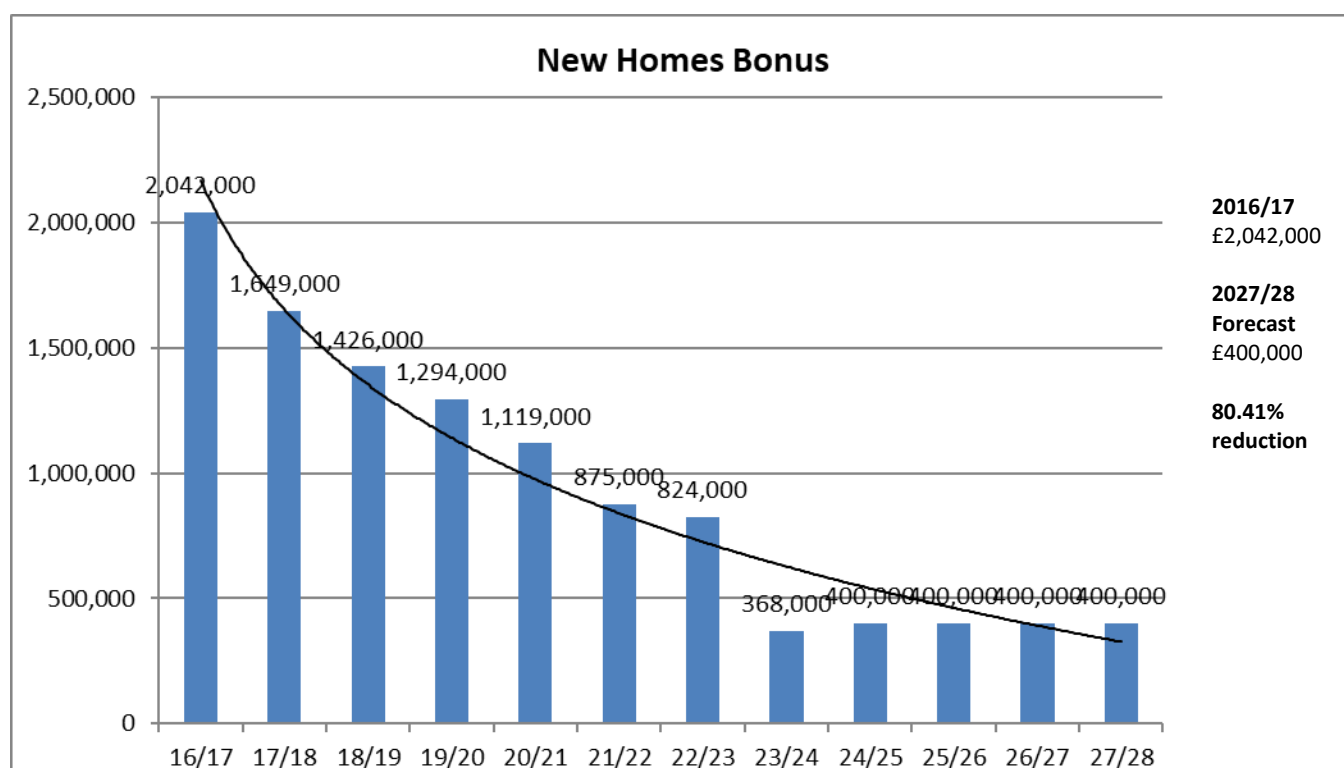
- 3.3 Local authorities will be fully compensated for the decision to freeze the business rates multiplier by way of additional S31 Grant.
- 3.4 Two grants currently included in Service Accounts (Council Tax Family Annexe Grant and the Local Council Tax Support Administration Grant) have now been rolled into Revenue Support Grant (RSG). The overall impact of this is £9,424 higher grant than included in the draft budget report.
- 3.5 **New Homes Bonus (NHB)** payment for 2023/24 will be £369,245 for this Council, £1,245 higher than included in the draft budget report. The government say that they will set out the future position of the NHB ahead of the 2024/25 finance settlement. Consequently, the future of the NHB is a considerable risk to the Medium Term Strategy from 2024/25 onwards.
- 3.6 The **Services Grant** continues in 2023/24 but at a much reduced level (national total reducing from £822m in 2022/23 to £464m in 2023/24) mainly as a result of the removal of funding for the National Insurance Contribution increase (now reversed). FDC's allocation is £149,720 which is £43,280 lower than included in the draft budget.
- 3.7 **The Lower Tier Services Grant** has been abolished from 2023/24 onwards. However, there is a new **3% Funding Guarantee** which ensures that no authority has a Core Spending Power increase of less than 3% without having to increase their Band D council tax. FDC's allocation is £600,957. The net impact is £431,606 higher than included in the draft budget.
- 3.8 **Core Spending Power (CSP)** for local government as whole has increased by 9.4% and for Shire Districts by 5.0%. Our increase in CSP is 4.8%. CSP is a measure of the revenue funding available for local authority services. This includes council tax; business rates; Revenue Support Grant; New Homes Bonus; adult social care grants and other grants (including the Services Grant and new CSP Guarantee Grant).
These government forecasts assume that every local authority will raise their council tax by the maximum permitted without a referendum.
Assumed Council Tax increases make up 38% of the increase in CSP and Council Tax is now around 57% of the total CSP. The increased reliance on increasing council tax has been a feature of the finance settlements and CSP over the past few years.
- 3.9 Although the settlement was for 2023/24 only, the Medium Term forecasts detailed in Appendix B have assumed a continuation of the current policy of increasing business rates baselines by inflation based on current Treasury forecasts over the medium term. In addition, the forecasts assume a continuation of the funding currently allocated as Services Grant and CSP Guarantee Grant.
- 3.10 In summary, the final settlement (excluding Business Rates income) has provided a total of £398,995 of additional resources compared with what was included in the draft budget report.

Fair Funding Review

- 3.11 Local government funding reforms (Fair Funding Review and business rates retention changes) have been pushed back to at least 2025/26.

4 NEW HOMES BONUS

- 4.1 In 2017/18, reforms to the allocation methodology of the New Homes Bonus (NHB) were made which significantly reduced this Council's allocation. In addition, from 2017/18, a national baseline for housing growth of 0.4% was introduced, below which New Homes Bonus is not paid, reflecting a percentage of housing that would have been built anyway.
- 4.2 Actual NHB received in 2020/21 was £1.119m, in 2021/22 it was £875k and in 2022/23 it is £824k. It was announced in last year's finance settlement that no new legacy payments would be made in future. The actual NHB payment for 2023/24 will be £369k which represents the in-year amount only (calculation based on dwelling numbers from October 2021 – October 2022).
- 4.3 The graph below shows how the amount received from NHB has significantly changed over the past six years together with forecasts over the medium term.



- 4.4 The Future of the New Homes Bonus is very uncertain. The current national total of £291m allocated by way of NHB may also change in future spending reviews. There is however expected to be some form of housing growth incentive scheme. The impact on this Council's funding could be significant. We have included £400k of NHB funding in the MTFs from 2024/25 onwards. These could be replaced by allocations we receive from whatever the new Housing Incentive system will look like
- 4.5 **The lack of clarity around the future of the NHB is a significant risk to the MTFs.**

5 BUSINESS RATES

- 5.1 Members will be aware that the Business Rates Retention system was introduced in April 2013. Under this system, authorities would benefit if their actual Business Rates income collected in a year was higher than the baseline funding determined by government.
- 5.2 There has been real business rates growth in Fenland over the last six years, however how this impacts on the resources available to this Council is complex, due to the rules and the operation of the current 50% Business Rates Retention system. The complexity of the system has been exacerbated by the number of business rates relief schemes and multiplier caps and freezes implemented by the government over the last few years.

Business Rates Pooling Arrangement – 2023/24

- 5.3 The Council has joined with the County Council, Peterborough City Council, Fire Authority, East Cambridgeshire and South Cambridgeshire to become part of a pooling arrangement for business rates for 2020/21, 2021/22 and 2022/23. Unlike the Business Rates Pilot schemes, this is not a bidding process against other pools but is part of the existing system whereby authorities can choose to apply to become a pool with the agreement of the constituent authorities.
- 5.4 The benefit of being in a pool is that authorities will not be liable to levy payments on their business rates growth, which is then shared amongst the pooled authorities by a mutually agreed method. This will be based on where the growth has originated from with an appropriate share allocated to the County Council and Fire Authority.
- 5.5 Depending on actual business rates received in 2022/23, the net effect of the pooling arrangement could be considerable for the authorities in the pool. Current forecasts indicate that this Council could receive up to £300k additional income according to the sharing methodology agreed between the pooled authorities.
- 5.6 The members of the current pooling arrangement have notified MHCLG of their intention to remain as a pool for 2023/24 as there is still expected to be a net benefit to each authority. For the purposes of the 2023/24 estimates, an amount of £350k has been included as this Council's share of the potential benefit. We are still awaiting final estimated figures as all authorities in the pool will now have completed the annual statutory business rates estimate, the NNDR1 form, and returned this to MHCLG by the end of January 2023.
- 5.7 Following announcements in the SR2021 and subsequently in the Autumn Statement 2022, it is now unlikely that there will be any major changes to the rates retention system until 2025/26. Consequently, assuming the current pooling arrangements continue, an amount of £350k per annum has been included in the MTFs as a pooling benefit to this Council.

Business Rates Reform – 2025/26 onwards

- 5.8 As stated earlier, no major changes will take place until 2025/26 at least. At that time, it is likely that the Baseline Funding Level of all Councils will be reset with all 'growth' income being taken into account nationally and redistributed in the new system. In the estimate for 2023/24 and the medium term forecasts, around £1.2m of business rates above the Council's Baseline Funding Level is being retained. Under a baseline reset, this would mean that initially the additional £1.2m business rates income would be removed and redistributed. What remains unclear, is how much of this £1.2m will be returned to the Council as part of its recalculated Baseline Funding Level.
- 5.9 In theory therefore, the Council could lose all of this additional £1.2m in the absolute worst case scenario. However, this is unlikely and would create significant volatility within future funding allocations nationally, which the government does not wish to see. There will also undoubtedly be some kind of transitional arrangements which would also limit the extent of any gains and losses in funding arising from the new system.

- 5.10 Although it is extremely difficult to exemplify the impact of this redistribution, in broad terms, if the Council were to lose 50% of its growth income then this would add a further £600k per annum from 2025/26 to the current forecast MTFS shortfalls. A 20% loss of growth income would add a further £240k per annum to the current shortfalls.
- 5.11 In addition, the current system of retaining 100% of business rates from businesses generating Renewable Energy (estimated £1.904m in 2023/24) and the benefits from current pooling arrangements (estimated £350k in 2023/24) could also be reviewed and amended.
- 5.12 **At the time of writing, the Fair Funding Review, the implementation of Business Rates Reform and the changes to the New Homes Bonus are all major risk areas for this Council over the medium term.**

6 ADDITIONAL BUSINESS RATES RELIEF MEASURES 2023/24

2023/24 Retail, Hospitality and Leisure Relief Scheme and Supporting Small Business Relief Scheme

- 6.1 At the Autumn Statement on 17 November 2022, the Chancellor announced a package of business rates support measures for retail, hospitality and leisure properties and small businesses in 2023/24.
- 6.2 The 2023/24 Retail, Hospitality and Leisure (RHL) Business Rates Relief scheme will provide eligible, occupied, retail, hospitality and leisure properties with a 75% relief (increasing from the current 50% relief), up to a cash limit of £110,000 per business.
- 6.3 A new Supporting Small Business (SSB) relief scheme will ensure that no small business faces a bill increase greater than £50 per month for 2023/24 as a result of losing eligibility for Small Business Rate Relief or Rural Rate Relief due to an increased rateable value following the revaluation exercise.
- 6.4 Guidance about the operation and delivery of these reliefs was provided by government on 21 December 2022. Billing authorities and major precepting authorities will be fully reimbursed for their loss of income under the rates retention scheme as a result of awarding relief in accordance with the guidance, using a S31 grant.
- 6.5 The reliefs will be granted using discretionary relief powers under Section 47 of the Local Government Finance Act 1988 and is available to reduce chargeable amounts in respect of rates due in 2023/24.

7 FORECAST OUTTURN 2022/23

- 7.1 The approved budget set by Council in February 2022, showed a shortfall of £203k which was to be funded from the Budget Equalisation Reserve to the extent that it was needed at the end of 2022/23.
- 7.2 An updated projection for 2022/23, taking into account the latest estimate of spending and income pressures, was included in the draft budget report presented to Cabinet on 12 December 2022. At that time, a shortfall of £197k was being projected for 2022/23. The reasons for the change in projected shortfall were detailed in the draft budget report.
- 7.3 The latest projected outturn for 2022/23 is set out at Appendix A and show the likelihood of a surplus in the region of £69k by the end of this financial year.
- 7.4 The main reasons for the changes since the draft budget report are additional investment income (-£65k), additional income from the VAT sharing arrangement with Clarion (-£58k), reduced interest payable and MRP charge from reprofiling of capital programme (-£83k), allocation from the national business rates levy account surplus (-£31k) and additional use of the Cambridgeshire Horizons reserve (-£28k).
- 7.5 There are still uncertainties around the final position for 2022/23 and there is no requirement at this time, to formally approve an amount to be transferred to reserves. At

the present time, Corporate Management Team, Senior Managers and the Accountancy Team are managing and monitoring the position carefully and will continue to review spending levels to ensure where possible, the projected surplus at year-end is maintained.

8 BUDGET ESTIMATES 2023/24 AND MTFS

- 8.1 The Council's MTFS has to ensure that the commitments made in the Business Plan are funded not only in the year for which formal approval of the budget is required (2023/24) but for forecast years as well, within a reasonable level of tolerance.
- 8.2 The impact of the Final Local Government Finance Settlement has been incorporated into the figures in this report.
- 8.3 The Council's medium term forecasts are shown at Appendix B and summarised in Table 2 below. The table includes a 2% Council Tax decrease in 2023/24 and a 0% Council Tax increase over the medium term.

Table 2 - MTFS - 2% decrease in 2023/24; 0% increase in 2024/25 onwards

	Estimate	Forecast	Forecast	Forecast	Forecast
	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000
Expenditure					
Net Service Expenditure	15,926	15,885	16,196	16,366	16,783
Corporate Items	754	1,052	813	929	1,542
Contribution to/from(-) Earmarked Reserves	-740	-131	-42	42	42
Contribution from Business Rates Reserve	-211	0	0	0	0
Net Expenditure (before use of balances)	15,729	16,806	16,967	17,337	18,367
Funding					
Revenue Support Grant	-173	-173	-173	-173	-173
Business Rates Funding <i>(detailed in Appendix B)</i>	-7,756	-7,916	-7,862	-7,891	-7,916
Business Rates Collection Fund Deficit	211	0	0	0	0
Council Tax Collection Fund Surplus(-)	-87	-50	-50	-50	-50
Council Tax <i>(2% decrease in 23/24; increases of 0% in 24/25 onwards)</i>	-7,928	-8,023	-8,119	-8,215	-8,310
Total Funding	-15,733	-16,162	-16,204	-16,329	-16,449
Shortfall(+) before use of balances	-4	+644	+763	+1,008	+1,918
Contribution to Budget Equalisation Reserve	4	0	0	0	0
Shortfall(+) after use of balances	0	+644	+763	+1,008	+1,918

- 8.4 Government support for 2023/24 was confirmed as part of the final finance settlement. This Council will receive retained business rates and a small amount of Revenue Support Grant from the finance settlement. The projections for 2023/24 onwards are based on the best estimates and information available and are consistent with the announcements on business rates in the Spending Round 2021 and the Autumn Statement 2022. However, subject to further clarity on the detailed implementation of the announcements, there remains significant uncertainty in these projections.
- 8.5 The figures in Table 2 incorporates the assumptions detailed at Appendix C. With the final funding announcements and a 2% decrease in Council Tax a surplus of £4k is currently forecast for 2023/24. **It is proposed that a contribution of £4k to the Budget Equalisation Reserve be made at this time to achieve a balanced budget for 2023/24.**

- 8.6 The net budget requirement for 2023/24 is currently estimated at **£15.733m** (£15.729m plus £0.004m transfer to reserves) after all identified savings, contingencies and reserve transfers are included.
- 8.7 The development of the Commercial and Investment Strategy has the potential to generate additional significant returns over the MTFS. Currently, recharges to Fenland Future Ltd (FFL) for officer time and loan interest receipts have been included in the forecasts at Appendix A and B. These are based on the current business plan of FFL over the next three years. Additional returns may also be realised depending on the type and timing of investment opportunities. Consequently, no allowance for these further potential returns (over and above the recharges and loan interest to FFL) have been included in the MTFS at the current time.
- 8.8 A nominal allowance of an additional £25k of in-year savings has been made in the 2023/24 budget associated with the My Fenland transformation programme. It is envisaged that a transformation programme to reflect how the Council wishes to deliver services in the future and to address the forecast deficits in the MTFS will be initiated during the course of 2023/24 with an expectation that the associated savings will be delivered over the current MTFS.
- 8.9 Taking into account the proposals in the Table 2 above, the estimated net budget requirement in 2023/24 is detailed in Appendix A. The level of forecast resources available to the Council and the estimated levels of expenditure over the medium term are set out in detail in Appendix B. These show a funding gap of £1.918m by the end of 2027/28.
- 8.10 There is still considerable uncertainty around the estimates for 2023/24 and the forecasts for the medium term. Currently there are a number of 'unknowns' which could both positively and negatively impact on the forecasts including:

Risks associated with the MTFS forecasts:

- The ongoing impact of the Finance Settlements on 2023/24 and the medium term;
- Impact of potential changes to the New Home Bonus methodology and allocations from April 2024;
- Impact of the business rates revaluation from April 2023 and longer-term changes to the Business Rates Retention system from April 2025;
- Impact of potential additional costs and income in 2024/25 from the Extended Producer Responsibility scheme for managing packaging waste;
- Impact on income streams being greater than anticipated due to external factors such as Port Income (sale of Port Sutton Bridge);
- Continuing impact of homelessness temporary accommodation costs in 2023/24 and the medium term and the impact on recovery of housing benefit subsidy;
- Potential for additional support for the Leisure Management contractor in 2023/24, (over and above the provision provided in the estimates) and over the medium term, as a result of the energy costs crisis. A full year's Management Fee income from the Leisure Contractor has currently been included in the 2023/24 estimates and each subsequent year of the MTFS;
- Impact of increases in Fees and Charges (where feasible) on the 2023/24 estimates and MTFS;
- Impact of service developments eg. Car Parking Enforcement (CPE);
- Revenue impact of funding new capital schemes not currently included in the capital programme. There are currently a number of schemes which require consideration with potentially substantial funding needed over the medium term (see Section 16);

- Potential impact of the Council's future transformation programme with associated savings. Further detailed work is required to quantify the scope of this programme and associated savings;
- Review of the recharge of staff time to the LATCO (Fenland Future Ltd) to quantify potential revenue savings. Currently recharges of £125k in 2022/23 onwards have been assumed in the MTFS;
- Potential net benefits from FFL of loan interest and dividends from future developments over and above already included in the MTFS, generating revenue income;
- Commercial and Investment Strategy and future potential positive returns to the Council;
- Review of the General Fund Balance and Earmarked Reserves to ensure they align with the future requirements of the Council;
- Potential positive impact over the MTFS of implementing the outcomes from the Accommodation Strategy.

8.11 **Whatever impact the above issues may have however, there will remain a significant structural deficit for the Council to address over the medium term.**

8.12 The forecasts for the years 2024/25 – 2027/28 are provisional at this stage and should be considered with extreme caution. Future announcements and consultation outcomes will also determine government policy and therefore the funding in the future years. In addition, the forecasts are dependent on permanently maintaining the savings already identified through the My Fenland transformation initiative.

8.13 As detailed earlier in this report, Business Rates Retention Reform, Fair Funding Review and changes to the New Homes Bonus could have a significant impact on the Council's forecast resources over the term of the MTFS. Further to the risks associated with these externally determined funding streams the Council should also ensure that income budgets are achieved and new income streams considered and implemented for medium to long term sustainability in combination with any operational and transformational benefits that the Council realises. The use of general reserves to support revenue expenditure adds to the overall risks to the Council as such reserves can only be used once but the cumulative impact of such use will continue to be felt into the future.

Other Risks

Capital Programme – Future Funding

8.14 The Council is increasingly relying on borrowing (Internal and Prudential) to fund its future programme as the amount of capital receipts and the level of reserves available to fund the capital programme are reducing considerably over the next two years. Consequently, any new capital schemes (which do not generate a return to repay borrowing costs) will have to be funded through borrowing which will result in revenue costs and therefore will impact on the MTFS and future shortfalls.

8.15 For example, a £1m scheme with a 20 year life, funded by prudential borrowing, would result in around an additional £90,000 per annum in interest (4%) and repayment costs.

8.16 Consequently, a review of the current capital programme together with potential new schemes (as detailed in Section 16) and the ongoing revenue cost impact will be undertaken to ensure the programme is sustainable within the context of the Council's Medium Term Financial Strategy.

8.17 To exemplify the effect on the MTFS of potential additional costs arising from the above risks, Table 3 below details a scenario whereby the Council loses 50% of its business rates growth income following potential reforms in 2025/26, NHB reduces from 2025/26

and the impact of an additional £1m per year borrowing associated with new capital schemes.

Table 3: MTFFS Potential Impact of Major Risks – for illustrative purposes only

	Estimate	Forecast	Forecast	Forecast	Forecast
	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000
MTFS Shortfall - Appendix B	0	644	763	1,008	1,918
<i>(2% CT decrease in 2023/24; 0% increase 24/25 onwards)</i>					
50% loss of NNDR growth income			600	600	600
Increasing NHB threshold by 0.1%			100	150	200
Additional £1m per year borrowing	20	110	200	290	380
Revised Shortfall	20	754	1,663	2,048	3,098

- 8.18 As stated earlier, it is important to note that the figures detailed in the above table are purely illustrative as no decisions have yet been made regarding changes to these funding streams or new capital schemes and the potential impact on this Council.

9 PARISH PRECEPTS

- 9.1 The levels of parish precepts set throughout Fenland are provided for information at Appendix F. These will be reported to Council as part of the Council Tax setting process

10 FEES AND CHARGES

- 10.1 The Overview and Scrutiny Panel reviewed fees and charges for 2023/24 at its meeting on 16 January 2023 and these were subsequently considered by Cabinet on 30 January 2023. All of the recommendations from these meetings have been included in the financial forecasts.

11 SPECIAL AND GENERAL EXPENSES

- 11.1 For the purposes of Section 35 of the Local Government Finance Act 1992, the Council needs to pass appropriate resolutions for each financial year to determine how expenses which could legally be regarded as special should be treated.
- 11.2 If expenses are treated as special expenses, then they must be charged against the parts of the Council's area to which they relate.
- 11.3 Parish precepts are special expenses and cannot be treated as general expenses.
- 11.4 Drainage Board and Port Health levies which affect only part of the Council's area are treated as general expenses unless the Council resolves otherwise. These are currently treated as general expenses and it is recommended that this position continues for 2023/24.
- 11.5 Expenses incurred by the Council in performing, in part of its area, a function performed elsewhere by a parish council are special expenses unless the Council determines otherwise. Currently, these are treated as general expenses. To maintain this position, it is recommended that the Council determines that such expenses should not be treated as special expenses for the financial year 2023/24.

12 PORT HEALTH

- 12.1 The Port Health levy for 2023/24, based on expected expenditure, is recommended as shown in Table 4 below for Council to approve.

Table 4: Port Health Levy 2023/24

Description	£
a) Port Health anticipated expenditure	17,819
b) Port Levy	
Fenland District Council	15,770
South Holland District Council	1,247
King's Lynn and West Norfolk Borough Council	802
Total	17,819

13 COUNCIL TAX 2023/24

- 13.1 As part of the 2023/24 Final Local Government Finance Settlement, the government has confirmed that the referendum limit is at 3% or £5, whichever is higher for 2023/24 for District Councils. A 3% increase on the Band D Council Tax equates to £7.74 per annum (a 2.97% increase due to roundings).
- 13.2 Social care authorities, such as Cambridgeshire County Council can also increase their element of council tax by a further 2% (5% in total).
- 13.3 Council at its meeting on 18 July 2019, agreed to re-position the MTFs to show 0% Council Tax increases through to 2023/24. This report shows a 2% reduction in Council Tax for 2023/34 but extends the MTFs period showing 0% increases thereafter to 2027/28. The motion agreed by Council emphasised that 0% increases in Council Tax throughout the MTFs period is an ambition and it was recognised that the Council continues to face significant financial challenges and uncertainties that may not allow this ambition to be met. These challenges and uncertainties had been exacerbated by Covid-19. A Council Tax reduction of 2% for 2023/24 is, ultimately, a political decision for Full Council to make if it should so decide, just as a continued freeze or even an increase in the Council Tax level for 2023/24 would be for Full Council to decide.
- 13.4 The motion also stated that Members of the Council need to act responsibly each year when setting the precept to balance the ambition of achieving a medium-term 0% Council Tax rise with the legal need to balance the budget. It was agreed that raising Council Tax in any of the next four years would be a last resort in order to minimise the financial effects of Council Tax on all of Fenland's households.
- 13.5 For information, an additional 1% increase in Council Tax in 2023/24 would have generated in the region of £81,000 of revenue per annum to the Council. Even with this additional revenue included, the estimates by 2027/28 show a significant shortfall (see Table 5 below).

Council Taxbase

- 13.6 The amount of Council Tax income recognised in the estimates is determined by the Council Taxbase (Band D equivalents) and the level of Band D Council Tax. For 2023/24, the Council Taxbase has been calculated using the number of dwellings (as notified by the Valuation Office Agency), the impact of exemptions and discounts (eg. Single Person discount) and the amount of Council Tax Support awarded.
- 13.7 In addition, an allowance for growth and for non-collection is included to produce the estimated taxbase. For 2023/24, the taxbase has been calculated as 31,059 (Band D equivalents), an increase of 395 (1.29%) on 2022/23.

- 13.8 After the estimates of expenditure and income have been prepared, and the Final Settlement has been received, the next step is to set the council tax for 2023/24 for Fenland District Council.
- 13.9 A decrease in Council Tax levels of 2% has been included for 2023/24. In line with the motion agreed by Council on 18 July 2019, assumed Council Tax increases of 0% have been included for the remaining period of the MTFS from 2024/25.
- 13.10 At this level of Council Tax, there will be a deficit to fund by the end of the current MTFS period. Consequently, the Council will need to continually consider its strategy to meet the estimated shortfalls shown at Table 2 and in Appendix B, particularly if there are additional impacts from the funding reforms from 2025/26 onwards together with the impact of new capital schemes.
- 13.11 The implications of not increasing Council Tax over the remainder of the MTFS is that the Council will be reducing its financial base permanently as it would not be able to recover potential revenue foregone due to the cumulative year on year impact. The consequences of continually setting zero Council Tax levels and not achieving the necessary savings/additional income have been clearly demonstrated by the events at other Councils. The ability to achieve significant year on year savings (without increasing existing and/or introducing new revenue streams together with transformational change) to balance the budget becomes progressively difficult without eventually impacting on front-line services and delivery.
- 13.12 Council can of course agree to a higher increase (up to the referendum limit of 3%) and a 1% increase in Council Tax raises around £81,000 revenue per annum. Table 5 shows the implications of increasing the Council Tax in 2023/24 by 2.97% per annum and thereafter compared to reducing the Council Tax by 2% in 2023/24 and freezing it throughout the remainder of the MTFS period.

Table 5: MTFS Deficits at Differing Council Tax increases in 2023/24 onwards

Deficits based on different % increases	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Deficits at 2% decrease in 23/24 and 0% increase in 24/25 onwards <i>(as shown in Table 2/Appendix B)</i>	0	+644	+763	+1,008	+1,918
Additional CT with 2.97% increase p.a. from 2023/24	-403	-657	-925	-1,209	-1,508
Net position at 2.97% increase	-403	-13	-162	-201	+410

- 13.13 Options around introducing a scheme to accept voluntary council tax contributions from residents whereby they can pay an additional amount over and above the 'normal' amount of Council Tax are currently being examined. Officers are working through some of the technical challenges involved in implementing this with an expectation that a scheme will be introduced in next year's budget, with Fenland's museums being the currently suggested beneficiaries.

13.14 Table 6 shows the Band D Council Tax for spending at the level proposed, together with Council Tax levels from the major preceptors and Parishes.

Table 6: Band D Council Tax Levels 2023/24

COUNCIL TAX BASE	2023/24 31,059		2022/23 30,664	
	£	Band D £	£	Band D £
Fenland District Council Precept (Appendix A)	<u>7,927,495</u>		<u>7,986,741</u>	
Fenland District Band D Council Tax	-2.00%	255.24	0.00%	260.46
MAJOR PRECEPTORS				
County Council	(4.99%)	1,542.87	(4.99%)	1,469.61
Police & Crime Commissioner	(5.80%)	272.52	(4.03%)	257.58
Fire Authority	(6.60%)	79.92	(1.96%)	74.97
Combined Authority		12.00		0.00
Sub Total BAND D TAX		2,162.55		2,062.62
Parish Councils-average (Appendix F)	(5.55%)	51.17	(0.88%)	48.48
Total average Band D Tax		2,213.72		2,111.10
Total average increase over 2022/23		£102.62 (4.86%)		

13.15 The County Council increase for 2023/24 includes 3% for the Adult Social Care precept (£44.09) and 1.99% on the general council tax (£29.17), giving a total increase of 4.99% (£73.26). For 2023/24, the Police and Crime Commissioner is allowed to increase council tax by up to £15.00 on a Band D property. The actual increase is £14.94 (5.80%). Cambridgeshire and Peterborough Combined Authority has agreed a precept for the first time in 2023/24, resulting in a council tax level of £12.00 on a Band D property.

Council Tax Support Fund

13.16 Alongside the Local Government Finance Settlement, the Government announced £100m of additional funding for local authorities to support the most vulnerable households in England.

13.17 The Government expects local authorities to use the majority of their funding allocations to reduce Council Tax bills for current working age and pension age Local Council Tax Support (LCTS) claimants by up to £25. Councils can then use their remaining allocation as they see fit and determine their own local approach to further support vulnerable households with Council Tax bills.

13.18 The Council is expected to deliver this using their discretionary powers under s13A(1)(c) of the Local Government Finance Act 1992.

13.19 This Council has been allocated £190,482 of funding for this scheme. It is proposed that the following local approach is adopted to utilise this funding:

- a) To apply the required reductions of up to £25 to all current LCTS claimants to their 2023-24 Council Tax bills;
- b) To maximise use of the fund by providing additional top up payments to all current LCTS claimants to their 2023-24 Council Tax bills;
- c) To retain sufficient funding to provide additional s13A(1)(c) Exceptional Hardship Payment (EHP) funding and use this throughout 2023-24 to:

- I. support new LCTS claimants with a similar one-off reduction to their 2023-24 Council Tax bills, AND
- II. provide additional support to vulnerable customers via the existing EHP claim form route.

13.20 Support will also continue to be available for those who may be economically vulnerable but just outside of the income threshold for LCTS eligibility through the allocation of s13A(1)(c) awards directly to their Council Tax bills via a separate non-LCTS claim form route.

13.21 The Council will monitor expenditure regularly as part of the monitoring requirements and encourage take up of EHP to help maximise use of the funding.

13.22 There is no requirement for a separate scheme design under this proposal which utilises the Council's existing s13A(1)(c) process and in accordance with the New Burdens doctrine reasonable administration costs will be funded following a government assessment later in the year.

14 COUNCIL TAX SUPPORT SCHEME 2023/24

14.1 Each year, the Council is required to review and approve its Council Tax Support Scheme (CTSS). The only changes relate to the prescribed pensioner scheme for 2023/24 which are determined by the usual annual regulations and which the Council has no discretion over.

14.2 The Council can only determine the working age CTSS and there are no proposals to change the current scheme for 2023/24. The current scheme is set out in the following link: <https://www.fenland.gov.uk/CTSS2022>

14.3 Consequently, it is proposed that the current working age CTSS scheme be continued with effect from 1 April 2023 with the prescribed pensioner scheme being updated by the relevant regulations.

15 COUNCIL TAX LONG TERM EMPTY PREMIUMS AND SECOND HOME PREMIUMS

15.1 The Regeneration & Levelling Up Bill (the Bill) is currently passing through Parliament and the Department of Levelling Up, Housing and Communities (DLUHC) is aiming for Royal Assent in Spring 2023. The Bill proposes, amongst other proposals, two important changes to council tax, as follows:

- A change in the application of a council tax premium on 'long term empty' dwellings. Currently, if a property has been unoccupied and unfurnished for 2 years but less than 5 years, then a 100% council tax premium can be applied to the property. The Bill is proposing to shorten that 2 year period to 1 year. 'Long term empty' premiums are applied to encourage owners to bring properties back into use so they are not left empty for extended periods.
- The implementation of a council tax premium on 'second homes'. 'Second homes' are properties which are unoccupied but furnished. The Bill proposes the local authorities may apply a 100% council tax premium on second homes. This would mean an owner of a second home in the district would pay double the normal council tax charge.

15.2 Both of these changes can only come into effect if the Bill receives Royal Assent and even then the earliest that both of these changes can come into effect is 1 April 2024.

15.3 The Bill states that to apply these changes, approval to do so must be given at least 12 months before the implementation date. Therefore, approval is being sought now on the basis that should the Bill receive Royal Assent, the Council will have the required 12 months lead in period, in order to apply the premiums from 1 April 2024.

- 15.4 No allowance for the financial implications of the proposed changes has been made in the Medium Term Forecasts from 2024/25 onwards as currently there is no guarantee that the required legislation will be passed in time.
- 15.5 It is therefore proposed, subject to the relevant legislation being passed:
- to agree to shorten the period a 100% premium on long term empty dwellings is payable from the current 2 years (empty) to 1 year from 1 April 2024.
 - to agree to implement the 100% premium on all second homes from 1 April 2024 (subject to legislation being passed before 31 March 2023).
- 15.6 There is no legal requirement to consult on the recommended changes but there is a legal requirement for implementation of the second homes premium to have a 12 month lead period from the decision to the implementation.
- 15.7 There is a legal requirement to publish any changes to the Council Tax regime in at least one newspaper circulating in the Billing Authority's area. This must be done within 21 days of the resolution being agreed by the Council.
- 15.8 Any amendments made to Council Tax premiums or to apply a second home premium are not based on individual circumstances or family characteristics. The recommendations will therefore apply equally to everyone.

16 TREASURY MANAGEMENT STATEMENT, ANNUAL TREASURY INVESTMENT STRATEGY AND CAPITAL STRATEGY 2023/24

- 16.1 Full details of the proposed Treasury Management, Annual Investment Strategy and Capital Strategy for 2023/24 are contained in Appendix E. The proposed Treasury Management and Annual Investment strategies were presented to and endorsed by Audit and Risk Management Committee on 6 February 2023.
- 16.2 The key issues relating to the strategies and their impact on the MTFs are as follows:
- Changes to the revised 2021 Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management and Prudential Codes which are now fully adopted into the Treasury Management Strategy Statement (TMSS), Annual Investment reports and the risk management framework from 2023/24.
 - The prudential and treasury indicators detailed in paragraphs 2-13 of Appendix E, show that the Council's capital investment plans are affordable, prudent and sustainable.
 - The Capital Strategy, detailed at Annex A of Appendix E, sets out the context in which capital expenditure and investment decisions are made and establishes that the Council has arrangements in place to ensure it gives due consideration to risk, reward, and impact on the achievement of priority outcomes.
 - The MRP policy sets out how the Council will make prudent provision for the repayment of borrowing needs over the medium-term forecast.
 - The Treasury Management Strategy has been organised so that the Council will have sufficient cash resources to meet capital expenditure plans and operational cash flows.
 - Total external interest payments which includes finance lease interest payments; revised estimate for 2022/23 is £486,400 and the estimate for 2023/24 is £617,770. Additionally if the authority were to borrow the full £20.977m, over the next four years, to fund schemes taken forward as part of the Commercial and Investment Strategy this would currently attract annual interest payments of £669,650 by 2025/26.
 - Link Groups forecast for Bank Rate is to continue to increase peaking at around 4.5% in Q2 2023.

- The current Medium Term Financial Strategy assumes that some external borrowing will be required over the four-year period to 31 March 2026.
- The aim of the Council's annual investment strategy is to provide security of investments whilst managing risk appropriately; investment returns are commensurate with the Council's historic low risk appetite although we are in the process of transition as a Council from a low risk policy to an appropriate managed risk policy. The Council achieves these objectives through differentiating between "specified" and "non-specified" investments and through the application of a creditworthiness policy.
- The council holds £4m in Property Funds which are long term investments. Although the returns from these investments can be higher than short term investments there is an increased risk that capital values will rise and fall.
- Total investment income from temporary investments is estimated at £570,000 for 2022/23 and £550,000 for 2023/24. Income from pooled property funds is estimated at £125,000 in 2022/23 and £150,000 in 2023/24.

17 REVIEW OF GENERAL FUND BALANCE AND EARMARKED RESERVES

- 17.1 An important part of any budget strategy is the review and consideration of reserves. Earmarked Reserves are typically held and used in a planned way to deal with issues where it is foreseen that resources need to be set aside to meet a specific need but the exact amount and timing is not known. General Reserves are held to cushion the impact of an event or events that cannot be foreseen whilst maintaining these resources at a consistent and reasonable level over the medium term.
- 17.2 Sufficient levels of reserves are necessary to provide for various contingent and unplanned items that could include:-
- significant increased costs of providing statutory services
 - significant increased contractual costs
 - an unexpected and/or significant event or disaster, e.g. civil emergency
 - an unexpected major liability in law
 - the need to make significant payments in relation to prior year adjustments under the direction of the external auditor
- 17.3 The Council's current uncommitted General Fund Balance is £2m. It is good practice to keep the balance on this reserve under review alongside ensuring that the purposes for which other earmarked reserves were allocated remain consistent with and relevant to the Council's Medium Term Financial Strategy.
- 17.4 Consequently, a review of the level of the General Fund Balance and the number and purpose of the earmarked reserves will be undertaken during 2023/24 and any amendments will be presented to a future meeting of Cabinet and Council. It is envisaged that the level of the General Fund Balance could be reduced and a Transformation Reserve be created from merging several existing earmarked reserves.
- 17.5 The Budget Equalisation Reserve was established in 2019/20 to provide a smoothing mechanism between financial years which could provide resources to help achieve balanced budgets in future years whilst maintaining a 0% Council tax increase each year. The current balance on this reserve is £1.067m and as part of the budget proposals for 2023/24 detailed in this report an additional transfer of £4k is proposed to this reserve to set a balanced budget, with a further transfer of £69k to the reserve currently being projected for 2022/23. In the debate on the motion proposed by the Leader of the Council on 18th July 2019, he stated that one of the main purposes of the Budget Equalisation Reserve was to facilitate a form of feedback loop to counter what he

described as the Council's systemic outturn surpluses. Table 7, below, demonstrates the point that the Leader was making. It is, ultimately, a matter of political interpretation whether the pattern of repeated outturn surpluses is evidence of taxing residents more than we need to each year, or if it bears a different interpretation. That is entirely a political matter for Full Council to consider. Full Council's decision last year to set a budget requiring a projected deficit of £203k to be met from the Budget Equalisation Reserve does not currently appear, on the basis of the projected 2022/23 outturn estimate in paragraph 7.3 above, to have been successful in creating the feedback loop that the Leader advocated in 2019. At a time of much personal financial pressure for households across Fenland, the Leader proposes that a one-off reduction in Council tax in 2023/24, followed by continuing Council Tax freezes in the following years over the medium term, is a more effective and appropriate way to eliminate the Council's pattern of outturn surpluses, and that the fact that the Budget Equalisation Reserve now stands at over £1m provides the facility to smooth any short term revenue account budget pressures in any year(s) over the term of the MTFs. In that way the Leader proposes that the Council will be able to rebalance its Council Tax take from residents against its spending requirements. That is a political judgment, and it is quite appropriate for Full Council either to accept that judgment or to reach a different political conclusion.

Table 7: Net Deficit/Surplus(-) transferred from/(to) Reserves/Budget Equalisation Reserve

	Budget £'000	Outturn £'000	Outturn Transferred to Reserves		
			Capital Reserve	Management of Change	Budget Equalisation
2022/23	203	-69 (estimate)			69
2021/22	842	-584			584
2020/21	0	-167			167
2019/20	151	-115			115
2018/19	73	-200			200
2017/18	0	-935	600	335	

17.6 The analysis of reserves at Appendix G details the projected General Fund and earmarked reserves position at 31 March 2023 and 31 March 2024 taking into account the proposals detailed in this report. The proposed 2% reduction in Council Tax for 2023/24 has no effect on the projected value of the General Fund Balance in 2023/24.

18 CAPITAL PROGRAMME

18.1 Capital Expenditure and Income plans have been prepared through the Council's service and financial planning cycle. The Council's capital resources are dependent on government funding, external grants or through the ongoing disposal of assets.

18.2 In December 2022, Cabinet approved the updated capital programme and resources statement incorporating any changes since the programme was updated and agreed in July 2022.

18.3 Members have continued to receive regular updates on several high profile schemes including Wisbech High Street and the Future High Street Fund, March.

18.4 An updated Capital Programme for 2023-26 is presented at Appendix D for approval. The programme has been updated to ensure it adequately reflects the cost and anticipated timing of schemes previously approved.

18.5 Members will be aware that due to significant cost increases, the scheme to extend South Fens Enterprise Park, Chatteris has been temporarily paused. This has resulted in the CPCA requesting repayment of the balance of their grant (£941k) awarded for this

project. Consequently, the remaining FDC balance of the original scheme funding of £1m remains in the updated programme while officers reassess the options available which could result in a future funding application to the CPCA.

- 18.6 To fulfil the Council's health and safety requirements, short-term repairs to the suspended quay at Wisbech Port, totalling £1m are required in 2023/24 and provision for these repairs is included in the updated programme at Appendix D, subject to Cabinet and Council approval. Further repairs are required within the next 3 years and members will be presented with a separate report on the condition of the suspended quay at the March 2023 Cabinet meeting. No allowance has been included for these further repairs at this stage.
- 18.7 There are a number of projects which will require consideration over the coming months for which no allowance has yet been made and which could potentially significantly impact the Council's capital programme.

Accommodation Strategy

- 18.8 Currently members and officers are working closely with the Council's professional advisors to produce an Accommodation Strategy. The decisions taken will inform the level of work required at Fenland Hall and The Base over the life of the capital programme. When decisions are taken regarding members' preferred option/s the capital programme will be adjusted accordingly. On this basis no commitments relating to Fenland Hall and the Base have been included in the current programme.

Structural Works – Wisbech Port

- 18.9 Major capital works commenced in the 2020/21 financial year to address health and safety risks identified following a survey of Crab Marsh quay. These works completed within budget in the 2021/22 financial year. During the 2021/22 financial year a further survey was commissioned covering the remaining stretch of operational quay at the Port of Wisbech. Officers working with external consultants have determined the cost of rectifying the structural deficiencies identified and a separate report on this issue will be presented to members at their March 2023 meeting. As detailed above, only the short-term repairs required in 2023/24 have been included in the updated programme at Appendix D. No allowance has been included at this stage for the medium-term repairs required.

Commercial and Investment Strategy Schemes

- 18.10 From February 2020 the programme has reflected the Council's decision to allocate £25m to take forward schemes in accordance with the Council's Commercial and Investment Strategy. Around £4m of this allocation has been spent to date and the remaining allocation has been profiled to reflect the anticipating timing of future projects, including those due to be delivered by Fenland Future Limited. However, the Investment Board retains the discretion to vary when the available funds are utilised over the life of the programme.

Other Potential Schemes

- 18.11 In addition to the above, there are a number of other schemes which have been identified by officers for funding over the medium term and will require consideration over the coming months including but not limited to:
- Cemeteries – increasing burial plot availability at Mount Pleasant Cemetery, Wisbech
 - Economic Estates – new roof at Longhill Road, Industrial Estate
 - Car Parks – resurfacing of Chapel Road Car Park, Wisbech
 - Moorings renewals at West End Park, March
 - Industrial Land – resurfacing works at Algores Way/Europa Way

- Leisure Centres – future refurbishment and improvement programme
 - Marine Services – refurbishment/replacement of Tug
- 18.12 A comprehensive review of the current capital programme and incorporating the above projects will need to be undertaken together with its ongoing revenue cost impact to ensure the programme is sustainable within the context of the Council's Medium Term Financial Strategy.
- 18.13 It is proposed that a comprehensive review of the programme be undertaken and reported to Cabinet in July 2023.
- 18.14 Should resources from external funding and/or capital receipts not generate the level of receipts forecast, or there is a delay in disposal of assets, then the capital programme will need re-visiting to ensure funding is sufficient to meet proposed expenditure including through borrowing. Reviews of the programme and resources available are carried out regularly during the year.
- 18.15 The Council's Borrowing Strategy which is incorporated into the Council's Treasury Management Strategy Statement, recognises that some prudential borrowing will be required over the life of the capital programme. The projected additional annual revenue costs for the programme detailed at Appendix D are reflected in the medium term forecasts at Appendix B.

19 RISK ASSESSMENT

- 19.1 There is an element of risk inherent in any process that looks into the future to make forecasts, particularly in the current economic climate and other national and international events now or in the future that may impact on the Council either directly or indirectly. The Council has a strong track record in good financial management as recognised in the recent Annual Audit Letter. This risk is further minimised by adopting the following methodology when preparing the estimates:-
- Service managers and the Accountancy Team working together to define likely service income/expenditure patterns matched with service delivery plans;
 - Maintaining "earmarked" reserves for expenditure that it is known will occur but the exact amount and timing of the expenditure is not known;
 - Maintaining an adequate level of general reserves to meet sudden and or unforeseen expenditure;
 - Adopting clear guidelines and control systems (robust revenue and capital budget management and monitoring procedures, Financial Regulations and Contract Procedure Rules etc.) to alert service managers, and members before variances reach tolerance levels;
 - Using professional and expert advice and economic forecasts where these are available, e.g. treasury management, interest rates;
 - Maintaining a rolling review of forecast estimates beyond the current year.
- 19.2 These assumptions are made with all available information but are necessarily calculated based on broad assumptions. In the current economic climate, some of these assumptions are particularly volatile. The MTFs will be prepared annually on a rolling basis so that as information becomes more certain the figures will be updated and early consideration can be given to any action or changes in direction that may be required.

20 REPORT OF THE CHIEF FINANCE (SECTION 151) OFFICER UNDER SECTION 25 OF THE LOCAL GOVERNMENT FINANCE ACT 2003.

20.1 Under Section 25 of the Local Government Act 2003 and CIPFA Code of Practice, the Council's Chief Finance Officer (Section 151 Officer) is required to report on the robustness of the estimates made for the purpose of the budget calculations and the adequacy of the proposed reserves.

Cabinet and Council are required under the 2003 Act to consider and give due regard to the Chief Finance Officer's report as part of the budget approval and council tax setting process.

20.2 The proposed budget is set against the context of significant economic uncertainty in a post-Covid-19 world, the current cost of living crisis, together with considerable uncertainty regarding government funding over the MTFs. The Government intends to make fundamental changes to the funding system for Local Government through the introduction of a new needs based fairer funding formula and the introduction of business rates reforms and a new system of distributing the New Homes Bonus. The cumulative impact of these changes and lack of visibility on any transition or damping arrangements means that financial planning for 2024/25 and the medium term is very uncertain.

20.3 The Corporate Director and Chief Finance Officer (Section 151 Officer) makes the following statement:

The robustness of the Budget estimates and the adequacy of the reserves are largely dependent on the levels of risk and uncertainty. There is an element of judgement as budget estimates of spending and income are made at a point in time and may change as circumstances change, particularly given the economic uncertainty in a post-Covid-19 world.

This statement on the robustness of estimates cannot give a 100% guarantee about the budget but should give the Council reasonable assurance that the budget has been based on the best information and assumptions available at the time.

The estimates that support this budget have used all the data and supporting information that the Council has at its disposal at this point in time. The principal financial assumptions made in the Budget are noted in this report and attached at Appendix C. Budget monitoring throughout the year will be an important tool in identifying, at an early stage, potential issues so appropriate action can be taken.

The delivery of the planned savings and major business projects **is critical** to the successful delivery of the Council's budget strategy. Current activity provides adequate assurance as to the deliverability of the 202/24 budget with future year projections representing realistic planning assumptions which will be subject to review as part of the annual budget setting process. The MTFs is currently forecasting a small financial surplus for the financial year 2023/24.

The Budget has been prepared reflecting known service pressures and following thorough review by Service Managers of planned savings.

There are however significant funding risks over the period of the MTFs. Potential changes to the Business Rates Retention system are particularly concerning and will have a significant impact on this funding. As detailed in Section 5 of this report, this could result in less funding in the future. It is however uncertain as to when and what actual changes will take place and the budget and MTFs is presented on the basis of the current arrangements continuing.

Current proposals decreasing Council Tax by 2% in 2023/24 and not increasing the Council Tax over the remainder of the MTFS should be viewed in the light of the forecast shortfalls detailed within this report and the financial impact of increasing Council Tax up to the referendum limit. This is exemplified in Table 5 in paragraph 13.12 of this report. In addition, as detailed in paragraph 3.8, the government's assessment of Council's Core Spending Power assumes Council Tax is increased by the maximum permitted without a referendum.

Although no use of the General Fund Balance is planned in 2023/24, it is good practice to re-assess the appropriate level of this balance over the period of the MTFS. It is proposed that this is carried out during 2023/24 taking into account actual use of this balance and updated MTFS forecasts.

Given the uncertainties detailed in this report, it is imperative that the Council maintains sufficient resources to cover any in-year unforeseen expenditure. A risk based approach to the consideration of the level of reserves is a component of the Council's overall risk management framework. Operational risks should be managed within Services' bottom line budgets and thus will not normally result in any further call on the Council's General Balances, as detailed in Section 17 above.

My assessment of the process that has been undertaken is that the calculations used in the preparation of the estimates for the Budget for 2023/24 are fair and robust and that reserves are adequate to reflect known circumstances and to be able to manage the stated uncertainties and risks that could realistically be anticipated at this point. All earmarked reserves are held for the purpose for which they are set up and are considered to be adequate to meet the requirements of those purposes when called upon based on the best information available as at the time of writing.

FENLAND DISTRICT COUNCIL

Summary of Revenue Estimates

	Current Approved Estimate 2022/23 £	Projected Outturn 2022/23 £	Estimate 2023/24 £
Service Summary			
Growth & Infrastructure	1,393,994	1,443,724	1,149,154
Communities, Environment, Leisure & Planning Resources & Customer Services	4,506,914	4,561,575	5,044,350
Pay Award 2022/23 : £1,925 flat rate increase	8,511,540	8,836,910	9,732,920
	700,000	0	0
NET COST OF GENERAL FUND SERVICES	15,112,448	14,842,209	15,926,424
Corporate Items			
Drainage Board Levies	1,707,950	1,707,900	1,877,510
Contributions to/ (from) Earmarked Reserves	-760,410	-522,008	-740,187
Contributions to/(from) Business Rates Reserve	-760,789	-983,656	-211,048
RTB/VAT Sharing Income	-70,000	-128,350	-20,000
Financing Charges - <i>Interest/Minimum Revenue Provision</i>	945,035	864,814	1,015,890
Investment Income and Property Funds Income	-630,000	-695,000	-775,000
New Homes Bonus	-823,959	-823,959	-369,245
Vacancy Factor (1.5%)	0	0	-199,000
Lower Tier Services Grant	-169,351	-169,351	0
Services Grant	-255,198	-255,198	-143,800
Core Spending Power 3% Guarantee Grant	0	0	-606,877
Business Rates Levy Account Surplus allocation	0	-31,046	0
Transformation Programme - additional savings	0	0	-25,000
Corporate Items	-816,722	-1,035,854	-196,757
Net Expenditure	14,295,726	13,806,355	15,729,667
Contribution to/from(-) Budget Equalisation Reserve	0	69,108	3,695
NET EXPENDITURE after use of balances	14,295,726	13,875,463	15,733,362
Core Funding			
Revenue Support Grant	-589	-589	-173,414
Business Rates - Income due in Year			
Business Rates Funding	-9,319,912	-9,319,912	-10,557,996
Tariff Payment to Government	6,027,242	6,027,242	7,367,123
Renewable Energy Rates Retained	-1,954,839	-1,954,839	-1,904,210
Business Rates Pool - FDC Share of Benefit	-300,000	-300,000	-350,000
Business Rates S31 Grants due in year	-2,860,614	-2,860,107	-2,911,969
Business Rates Levy due in year	505,355	727,714	600,615
	-7,902,768	-7,679,902	-7,756,437
Business Rates Collection Fund Deficit(+)	1,835,529	1,835,529	211,048
Council Tax Collection Fund Deficit(+)/Surplus(-)	-43,760	-43,760	-87,064
Council Tax	-7,986,741	-7,986,741	-7,927,495
Business Rates and Council Tax Funding	-14,098,329	-13,875,463	-15,733,362
Surplus(-)/Shortfall(+)	197,397	0	0

APPENDIX A(ii)

GROWTH AND INFRASTRUCTURE			
Service	2022/23 Current Approved Estimate £	2022/23 Projected Outturn £	2023/24 Original Estimate £
Direct Services			
Transport Development	132,690	135,780	105,200
Miscellaneous (Clocks, Monuments)	5,750	5,750	6,000
Drainage (District)	3,000	3,000	3,500
Highways (District)	129,400	155,400	187,500
Car Parks	211,600	211,600	203,000
Marine Services	457,060	530,910	318,950
Economic Estates	-135,500	-134,300	-280,050
Sewage Treatment Works	11,480	16,150	18,220
Parish Council Concurrent Functions	59,834	59,834	55,834
Economic Development	180,440	187,000	195,280
Regeneration	20,830	21,630	-35,580
HLF- High St Wisbech	11,310	11,470	0
Total Direct Services	1,087,894	1,204,224	777,854
Support Services			
Asset & Project Services	376,100	319,500	483,300
Net Cost of Services	1,463,994	1,523,724	1,261,154
Less Support Services Recharges to Capital Schemes	-70,000	-80,000	-112,000
TOTAL GROWTH AND INFRASTRUCTURE	1,393,994	1,443,724	1,149,154

General Notes for Appendix A(ii):

1. Within all the Service Estimates detailed in Appendix A(ii), Support Services costs have not been reallocated with the exception of recharges to Capital Schemes.
2. Similarly, Capital Charges have not been reallocated as these 'costs' are reversed out within the Corporate Items section of the estimates, thereby having no impact on the Budget Requirement and Council Tax.
3. Estimates for 2023/24 include the assumptions on pay, expenditure and income detailed at Appendix C. In addition, staff cost allocations to services have been reviewed for 2022/23 and have resulted in costs being re-allocated to better reflect time spent on providing those services.
4. In addition, the estimates for 2022/23 include the implementation of the My Fenland transformation project which has moved costs from various services and consolidated them in Customer Services.

COMMUNITIES, ENVIRONMENT, LEISURE & PLANNING			
Service	2022/23 Current Approved Estimate £	2022/23 Projected Outturn £	2023/24 Original Estimate £
Direct Services			
Housing Strategy	154,650	157,540	161,580
Private Sector Renewals	88,180	92,660	90,120
Housing Standards	18,670	29,440	100,070
Care & Repair	39,610	40,080	31,320
CCTV	50,350	58,370	55,680
Safer Fenland	77,310	81,230	105,620
Licensing	-28,380	-29,810	-12,430
Housing Options	257,265	277,900	237,140
Housing Needs and Advice	-50,810	-265,390	90,570
Community Development	122,000	126,250	132,760
Travellers Services	-55,310	-65,590	-76,570
Pollution Reduction	125,930	126,520	135,930
Public Health	468,130	522,450	272,750
Food Safety	143,860	116,890	142,350
Health and Safety	60,550	49,710	74,150
Refuse Collection - Domestic	1,202,860	1,370,640	1,409,530
Garden Waste	-105,750	-111,200	-133,970
Refuse Collection - Trade Waste	-206,360	-229,590	-249,180
Street Cleansing	959,040	1,001,570	1,002,810
Streetscene	213,310	241,500	231,790
Public Conveniences	20,180	20,360	19,820
Arts Development & Culture	24,330	26,880	33,700
Planning Policy	175,830	182,410	177,730
Development Management	-172,450	-169,360	-220,850
Building Control	47,109	47,110	54,110
Conservation	31,530	31,530	41,790
Planning Compliance	91,040	88,610	97,770
Technical Support	221,650	232,200	214,640
Leisure Centres	-199,330	-196,140	-125,210
Sports Development	98,640	54,335	169,535
Parks and Open Spaces	543,340	552,370	612,670
Cemeteries	-7,310	-8,130	39,450
Markets and Fairs	-13,010	-12,030	-12,105
Community Events	76,660	82,690	105,420
Vehicle Workshop	33,600	37,570	33,860
TOTAL COMMUNITIES, ENVIRONMENT, LEISURE & PLANNING	4,506,914	4,561,575	5,044,350

RESOURCES AND CUSTOMER SERVICES			
Service	2022/23 Current Approved Estimate £	2022/23 Projected Outturn £	2023/24 Original Estimate £
Direct Services			
Miscellaneous Central Services	158,540	158,540	158,540
Unfunded Pension Costs/Apprenticeship Levy	1,076,200	1,077,650	1,023,490
Corporate Management	1,059,800	1,134,140	1,040,990
Council Tax Cost of Collection	351,050	370,360	549,080
Business Rates Cost of Collection	-11,910	-8,900	-7,290
Housing Benefits	930,640	1,052,830	1,067,750
ICT Direct Service Costs	746,750	753,880	745,550
Policy	262,820	276,690	290,670
Land Charges	-96,400	-85,150	-27,050
Elections & Electoral Registration	190,450	170,950	351,450
Democratic Services	532,730	548,370	628,690
Emergency Planning	-78,250	-76,820	57,690
Total Direct Services	5,122,420	5,372,540	5,879,560
Support Services			
Accountancy	602,050	631,030	680,120
Information & Communication Technology	535,270	534,490	562,390
Customer Services	953,730	974,630	1,120,730
Post & Reprographics	128,380	132,250	134,360
Internal Audit	114,490	111,320	121,530
Legal Services	233,830	231,860	256,780
Corporate Health & Safety	24,510	24,750	19,910
Human Resources	318,860	338,190	378,290
Fenland Hall	350,500	355,200	424,700
The Base	127,550	130,650	154,550
Total Support Services	3,389,170	3,464,370	3,853,360
TOTAL RESOURCES AND CUSTOMER SERVICES	8,511,590	8,836,910	9,732,920

APPENDIX B

(2% reduction in Council Tax in 2023/24 and 0% increase thereafter)

Medium Term Financial Strategy	Projected 2022/23 £000	Estimate 2023/24 £000	Forecast 2024/25 £000	Forecast 2025/26 £000	Forecast 2026/27 £000	Forecast 2027/28 £000
Expenditure						
Service Expenditure/Income						
Gross Service Expenditure	26,544	26,768	26,480	26,802	26,983	27,411
Gross Service Income	-11,703	-10,842	-10,595	-10,606	-10,617	-10,629
Total Net Service Expenditure	14,842	15,926	15,885	16,196	16,366	16,783
Corporate Items						
Corporate Expenditure/Savings						
Drainage Board Levies	1,708	1,878	1,924	1,973	2,022	2,072
Financing Charges - Interest on External Borrowing	488	619	772	796	803	809
Financing Charges - Current Capital Programme - MRP	377	397	681	734	748	762
Vacancy Factor (1.5%)	0	-199	-204	-209	-214	-220
Transformation Programme - additional savings	0	-25	0	0	0	0
	2,573	2,669	3,174	3,294	3,358	3,423
Corporate Income Items						
Contribution to(+)/from(-) Earmarked Reserves	-521	-740	-131	-42	42	42
Contribution to(+)/from(-) Business Rates Reserve	-984	-211	0	0	0	0
RTB/VAT Sharing Income	-128	-20	-20	-20	-20	-20
Investment and Property Fund Income	-695	-775	-950	-1,310	-1,260	-710
New Homes Bonus	-824	-369	-400	-400	-400	-400
Lower Tier Services Grant	-169	0	0	0	0	0
CSP Guarantee Grant	0	-601	-601	-601	-601	-601
Services Grant	-255	-150	-150	-150	-150	-150
Business Rates Levy Account Surplus allocation	-31	0	0	0	0	0
Contribution to Budget Equalisation Reserve	69	4	0	0	0	0
	-3,539	-2,862	-2,252	-2,522	-2,388	-1,838
Total Corporate Items	-966	-193	922	771	970	1,585
Gross Service/Corporate Expenditure	29,117	29,438	29,653	30,095	30,341	30,835
Gross Service/Corporate Income	-15,241	-13,704	-12,847	-13,128	-13,005	-12,467
Net Budget Requirement	13,876	15,734	16,807	16,967	17,336	18,368
Funding - RSG, Business Rates & Council Tax						
Revenue Support Grant	-1	-173	-173	-173	-173	-173
Business Rates						
Business Rates Baseline Funding	-9,320	-10,558	-11,854	-11,981	-12,110	-12,235
Tariff Payment to Government	6,027	7,367	7,677	7,753	7,831	7,909
Renewable Energy Rates Retained	-1,955	-1,904	-1,717	-1,599	-1,563	-1,524
Business Rates Pool - FDC Share of Benefit	-300	-350	-350	-350	-350	-350
Business Rates S31 Grants due in year	-2,860	-2,912	-2,379	-2,404	-2,429	-2,455
Business Rates Levy due in year	728	601	708	719	730	739
Business Rates Collection Fund Deficit	1,836	211	0	0	0	0
Total Business Rates Funding	-5,844	-7,545	-7,916	-7,862	-7,891	-7,916
Council Tax						
Council Tax Collection Fund Surplus(-)/Deficit	-44	-87	-50	-50	-50	-50
Council Tax (2% reduction in 2023/24 and 0% in 24/25 onwards)	-7,987	-7,927	-8,023	-8,119	-8,215	-8,310
Total Council Tax Funding	-8,031	-8,015	-8,073	-8,169	-8,265	-8,360
Total Funding - RSG/Business Rates/Council Tax	-13,875	-15,733	-16,162	-16,204	-16,329	-16,450
Surplus(-)/Shortfall(+)	0	0	+644	+763	+1,008	+1,918

Assumptions built into Budget and Medium Term Financial Strategy (MTFS)

Within the forecasts are a number of assumptions which are necessary to produce the overall budget strategy. However, there is an element of risk associated with this process although the aim is to mitigate these risks as detailed in section 12 of the main report.

The main assumptions are as follows:

- 2% Council Tax reduction for 2023/24 and 0% thereafter (1% increase generates around £81k of resources and 2.97% around £240k of resources).
- 1.29% increase in Council Tax base in 2023/2024 (Tax-base 31,059) and 1.20% thereafter (increase of 375 Band D equivalent properties per annum).
- Inflation increases in Retained Business Rates income from 2024/25 onwards. Future net benefits from Business Rates will be dependent upon the impact of any potential system re-set and other changes from April 2025 onwards.
- Inclusion of this Council's share (£350k) of the potential benefit arising from the continuation of the Cambridgeshire Business Rates Pool in 2023/24 onwards. Potential benefit from the Pool in future years will be dependent on any changes to the Business Rates Retention System from April 2025.
- Continuation of the Services Grant (£144k allocated in 2023/24) and the Core Spending Guarantee Grant (£607k allocated in 2023/24) in 2024/25. Although the national totals of these grants will remain in the Local Government sector in future years, they may be allocated differently.
- The New Homes Bonus (£368k allocated in 2023/24) has been included at £400k per annum from 2024/25 onwards as detailed in Section 4 of the report. Future allocations will be dependent upon the scheme design and national totals of any replacement Housing Growth initiative.
- 4% pay award in 2023/24 (£460k cost) and 2% thereafter together with an allowance for pay increments of around 1% p.a. (£115k cost) reflecting the continuing impact of the pay grades re-modelling following the national pay award agreement effective from April 2019.
- Employer's Pension Contributions – following the triennial valuation as at 31.03.2022, the contribution rate for 2023/24 – 2025/26 is to increase slightly to 17.6% of salary (17.4% in 2022/23) with an additional past deficit lump sum payment of £922k for 2023/24, £884k for 2024/25 and £845k for 2025/26 representing an overall increase of 1% p.a. in total contributions.
- Inclusion of a vacancy factor for 2023/24 onwards, equivalent to a reduction in staff costs of 1.5% (£199,000 in 2023/24).
- Specific allowance for inflation where required eg: employee costs (as detailed above), business rates, external contracts, energy and water, fuel costs, drainage board levies etc. Otherwise, no allowance for inflation has been included.
- Investment interest rates are forecast to increase to a peak of 4.5% in Q2, 2023 before subsequently decreasing back to 2.5% in Q3, 2025 (£550k estimated income in 2023/24).
- Investment income includes the £4m investment in property funds in March 2022 (£150k p.a. income net of costs in 2023/24).

- Forecast income levels from fees and charges in 2023/24 include the agreed fee increases together with a review of activity levels.
- For 2023/24 onwards, a full years' worth of Management Fee being received from the Leisure Management contractor has been assumed. This follows two years of significant additional Council support for the Leisure Management contract in 2020/21 and 2021/22 as a result of Covid-19, through deferral of the management fee and also cash support. Further support has been agreed in 2022/23 to mitigate the significant impact of rising energy costs. Further support has been requested in 2023/24 and an appropriate contingency has been included in the estimates. This request for further support will be considered by Cabinet at their March 2023 meeting.
- For 2022/23 onwards, provision has been included for a continuation of the high demand for bed and breakfast and temporary accommodation for the homelessness and rough sleeper's service. Further work is being carried out to determine the level and type of ongoing support required.
- Recharges to Fenland Future Limited to reflect the use of FDC officer time on the company's behalf has been included (£125k in 2022/23 and future years). This amount could vary depending on the amount of time and types of activities being carried out for the company.
- Potential net benefits from Fenland Future Ltd of loan interest and dividends from future developments have been included. These amounts could vary depending on the timing and profitability of developments being carried out by the company.
- No potential additional income (or costs) from the Extended Producer Responsibility scheme for managing packaging waste (effective from 2024/25) has been included as there are currently no indications of the level of this income.
- £25k of in-year savings has been included in 2023/24 for further potential savings from the My Fenland transformation programme. It is envisaged that a new transformation programme will be initiated in 2023/24 with an expectation that associated savings will be achieved over the current MTFS period.

APPENDIX D

CAPITAL PROGRAMME AND FUNDING 2022 - 2026

	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000
Capital Programme (excluding Commercial and Investment Strategy Schemes)	10,436	17,772	2,378	1,550
Commercial and Investment Strategy Schemes	700	2,800	9,300	8,177
CURRENT FORECAST EXPENDITURE	11,136	20,572	11,678	9,727

FORECAST RESOURCES AVAILABLE

Capital Grants	8,042	9,600	1,077	950
Usable Capital Receipts - In Year	540	250	250	250
Reserves used in year to fund Capital	106	149	0	0
Section 106s and Other Contributions	197	45	0	0
Borrowing (Internal and Prudential)	1,551	7,728	1,051	350
Forecast Resources - Capital Programme (attached)	10,436	17,772	2,378	1,550
Borrowing (Prudential) - CIS	700	2,800	9,300	8,177
Total Forecast Resources	11,136	20,572	11,678	9,727

CAPITAL PROGRAMME SUMMARY 2022/23 - 2025/26

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders and FDC Reserves/S106
Leisure Centres								
1 Condition Survey Improvements	450	1,450	651		2,551	2,551		
Regeneration Programmes								
2 Fenland Renaissance and Place Shaping		16			16	16		
3 Heritage Lottery Fund - Non-FDC Properties	135				135	81	54	£54k HLF Grant.
4 Heritage Lottery Fund - 24 High Street, Wisbech	200	2,800			3,000	2,762	238	£238k HLF Grant.
5 Railway Station Master-Planning	350				350	73	277	£277k CPCA Grant, £40k S106
6 Future High Street Fund, March	750	7,622			8,372	197	8,175	£2,000k CPCA, £6,122k DLUHC Future High Streets, £53k DLUHC 'Changing Places' Grant
7 Growing Fenland - Capital Grants	33				33		33	£33k CPCA Grant
Cemeteries								
8 Cemetery Chapels Condition Survey Works	135	180			315	315		
9 Remedial Works in Closed Cemeteries	85	285	50		420	420		
Highways								
10 Category 2 Street Lights - FDC Lights	20	154			174	174		
11 Street Light Improvements - Parishes (Contribution to Cat 2 Replacements)	6				6	6		£6k Capital Contribution Reserve
12 Growing Fenland - Civil Parking Enforcement	25	200	127		352		352	£352k CPCA Grant
13 Huntingdon Road Improvements, Chatteris	5	85			90	90		
Environment								
14 Replacement and Grant-Funded Additional Litter Bins	53				53	53		
15 Pollution Monitoring Equipment	14				14	14		
Port								
16 Boat/Vessels - Replacement Deck, Hull and Engines	47				47	47		
17 Wisbech Suspended Quay - Structural Concrete Repairs (Short term repair works)		1,000			1,000	1,000		
Sub Total	2,308	13,792	828	0	16,928	7,799	9,129	

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders and FDC Reserves/S106
Brought Forward	2,308	13,792	828	0	16,928	7,799	9,129	
Parks and Open Spaces								
18 Parks, Play Areas and Open Space - Chatteris	40				40	40		£6k S106 money
19 Parks, Play Areas and Open Space - Doddington	75				75	75		£21k S106 money
20 Parks, Play Areas and Open Space - Guyhirn	50				50	50		£48k S106 money
21 Parks, Plays Areas and Open Space - Whittlesey	46				46	46		
22 Wisbech Water Park	255				255	105	150	£148K CPCA Grant, £2K Wisbech Town Council, £41k S106
23 Wisbech Park Pavillion	100	540			640	41	599	£240K Cambs CC Capital Communities Fund Grant, £299K CPCA Grant, £60K DLUHC Changing Places Grant, £41k S106
24 Wisbech Park - Tree Works	20				20		20	£20k DLUHC Levelling Up Parks Fund
25 Wisbech Park - Play Area Refurbishment		122			122	75	47	£47k DLUHC Levelling Up Parks Fund, £45k S106
Vehicles and Plant								
26 Vehicles	364	80	200	200	844	844		
27 CCTV Cameras	40	20			60		60	£60k Safer Fenland Funding
ICT System Replacement Programme & Upgrades								
28 Replacement & Upgrade Programme	100	448	100	100	748	748		£249k Management of Change Reserve
Improvement of Assets								
29 Sewage Treatment Works Refurbishment	280	500	300	300	1,380	1,380		
30 March Moorings Renewals	14	10			24	24		
31 Lattersey Nature Reserve - Capping Layer		40			40	40		
32 Energy Efficiency Improvements to Clarion Properties	5,203				5,203		5,203	£5,203k BEIS 'Wave 1' Funding
33 Nene Waterfront Infrastructure Improvements	20	180			200		200	£200k Brownfield Land Release Fund
Car Parks								
34 Eastwood, Chatteris		150			150	150		
Economic Estates								
35 Replacement of AV Equipment/WiFi at Business Centres	50				50	50		
36 South Fens Business Park Expansion	60	940			1,000	1,000		
Private Sector Housing Support								
37 Private Sector Renewal Grants	240	40	40	40	360		360	£360k Govt Grant
38 Disabled Facilities Grants	1,171	910	910	910	3,901		3,901	£3,901k Govt Grant
Total - Approved Programme	10,436	17,772	2,378	1,550	32,136	12,467	19,669	

Capital Grants	8,042	9,600	1,077	950	19,669
Usable Capital Receipts - In Year	540	250	250	250	1,290
Reserves used in year to fund Capital	106	149	0	0	255
Section 106s and Other Contributions	197	45	0	0	242
Borrowing (Internal and Prudential)	1,551	7,728	1,051	350	10,680

10,436	17,772	2,378	1,550	32,136
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**Treasury Management Strategy Statement, Minimum Revenue Provision Policy
Statement and Annual Investment Strategy 2023/24**

1 Introduction

CIPFA Treasury Management Code and Prudential Code (Revised 2021)

- 1.1 CIPFA published the revised codes on 20th December 2021 and has stated that revisions need to be included in the reporting framework from 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.
- 1.2 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 Treasury Management Practice 1 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).

- 1.3 In addition, all investments and investment income must be attributed to one of the following three purposes: -

Treasury management

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. The Council's investment in property funds falls into this category.

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. This does not preclude the Council from taking forward investments as part of its Commercial and Investment Strategy so long as financial return is not the primary reason for taking forward the scheme. This particularly applies in the case of projects relating to housing where service delivery objectives can be achieved as well as a financial return.

1.4 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

1.5 These changes are now fully adopted within the 2023/24 TMSS report.

2 Background

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

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

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

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 pursuit of optimum performance consistent with those risks."

- 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 The Capital Strategy Reporting Requirements

- 3.1 The CIPFA revised 2021 Prudential and Treasury Management Codes require all local authorities to prepare an additional document, a Capital Strategy which will provide the following:
- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
 - an overview of how the associated risk is managed; and
 - the implications for future financial sustainability.
- 3.2 The aim of the Capital Strategy is to ensure that all elected members on full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

4 Treasury Strategy Reporting Requirements

- 4.1 The Council is required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals. These reports are required to be adequately scrutinised by the Audit and Risk Management Committee and Cabinet before being recommended to the Council.
- 4.2 **Prudential and Treasury Indicators and Treasury Strategy** (this report), the first and most important report is forward looking and covers:
- the capital plans (including prudential indicators);
 - a Minimum Revenue Provision policy (how residual capital expenditure is charged to revenue over time);
 - the Treasury Management Strategy (how investments and borrowings are to be organised) including treasury indicators; and
 - an Investment Strategy (the parameters on how investments are to be managed).

A Mid-Year Treasury Management Report - This will update Members with the progress of the capital position, amending prudential indicators as necessary and whether any policies require revision.

An Annual Treasury Report - This is a backward looking review document and provides details of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

4.3 The Strategy covers two main areas:

Capital issues

- the capital expenditure plans and associated prudential indicators;
- the MRP policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, DLUHC MRP Guidance, the CIPFA Treasury Management Code and the DLUHC Investment Guidance.

4.4 **Training** - The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

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

5 Capital Prudential Indicators 2023/24 to 2025/26

5.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

5.2 The capital expenditure prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously and those forming part of this budget cycle. Commercial activities/non-financial investments relate to areas such as capital expenditure on investment properties, loans to third parties etc.

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

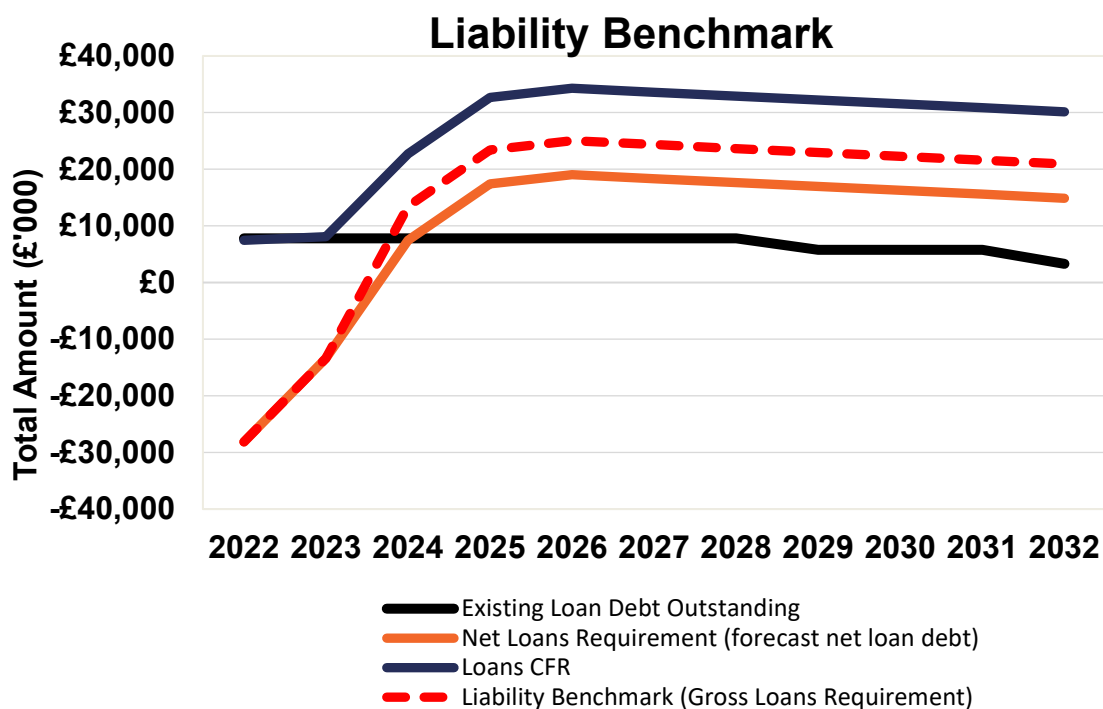
Capital Programme	2022/23 Revised Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000
Forecast Capital Expenditure	10,476	17,732	2,378	1,550
Commercial and Investment Strategy Schemes	700	2,800	9,300	8,177
TOTAL	11,176	20,532	11,678	9,727
Financed by:				
Capital Grants	8,042	9,600	1,077	950
Capital Receipts	540	250	250	250
Reserves used in year to fund Capital	106	149	0	0
Section 106 and Other Contributions	197	45	0	0
Total Financing	8,885	10,044	1,327	1,200
Net Financing Need For The Year (Borrowing)	2,291	10,488	10,351	8,527

- 5.4 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness, its underlying borrowing need. Any capital expenditure shown above, which has not immediately been paid for will increase the CFR.
- 5.5 The CFR does not increase indefinitely, as each year the Council is required to pay off an element of the capital spend (including finance leases) through a statutory revenue charge (MRP). In the case of schemes taken forward as part of the Council's capital programme this has the effect of reducing the Council's (CFR) broadly over the asset's life.
- 5.6 In the case of capital expenditure incurred in accordance with the Council's Commercial and Investment Strategy the MRP charge cannot be determined until such time that the Investment Board approves a scheme. Where the projected Capital Financing Requirement is disclosed in this report the figures used reflect the impact of borrowing to fund the full allocation of the remaining £20.977M over the next 4 years but no assumptions have been made regarding how MRP might reduce the CFR attributable to these schemes. This approach is considered reasonable until such time that any new schemes are formally approved by the Investment Board. In accordance with the current Minimum Revenue Policy, a provision for MRP in relation to the investment and residential property acquired in previous financial years is incorporated into the information in this report and the Council's Medium Term Financial Strategy.
- 5.7 In this context, it is also important to note that, as well as the statutory MRP charge, the Council is permitted to make additional voluntary payments to reduce the CFR. These voluntary payments will typically reduce the statutory charge that would have been due in future years. Voluntary payments can be funded from capital resources. This is particularly significant in the context of the Council's Commercial and Investment Strategy. As a result of investments undertaken, the Council may receive significant capital receipts and/or repayments of amounts due under the terms of loan agreements with third parties, including the Local Authority Trading Company. These amounts may be received before the maturity date of the external borrowing used to undertake the initial investment. Any assumptions regarding the anticipated use of capital resources to reduce the CFR will be reported as part of future treasury management reporting.

- 5.8 The CFR includes any other long term liabilities (finance leases). A finance lease is a commercial arrangement between the Council and a lessor (finance company), where in consideration for a series of payments the Council has the right to use an asset (e.g. refuse vehicle) for the lease duration (typically 7 years). The annual lease payment is made up of a capital and interest repayment.
- 5.9 Although legally the Council doesn't own the asset during the lease duration, International Accounting Standards require that the Council capitalise the asset and liability on its balance sheet, much like a loan. Whilst this increases the CFR, the nature of the finance lease agreement doesn't require the Council to separately borrow to fund the asset.

Capital Financing Requirement (CFR)	2022/23 Revised Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000
CFR – as at 31 March				
Opening CFR	7,456	9,370	19,461	29,083
Movement in CFR	1,914	10,091	9,622	7,745
Closing CFR	9,370	19,461	29,083	36,828
Movement in CFR represented by				
Net financing need for the year	2,291	10,488	10,351	8,527
Less MRP and other Financing Movements	(377)	(397)	(729)	(782)
Movement in CFR	1,914	10,091	9,622	7,745

- 5.10 A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The liability benchmark is a measure of how well the existing loans portfolio matches the authority's planned borrowing needs.
- 5.11 The purpose of this prudential indicator is to compare the authority's existing loans outstanding (the black line) against its future need for loan debt, or liability benchmark (the red line).
- 5.12 The liability benchmark below indicates a future borrowing requirement over the life of this strategy.
- 5.13 The timing of actual borrowing arranged may differ from the liability benchmark depending on actual cash balances, the rate at which the capital programme is delivered and actual use of reserves and working capital



6 Minimum Revenue Provision (MRP) Policy Statement

- 6.1 The Council is required to pay off an element of the accumulated general fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision).
- 6.2 DLUHC regulations have been issued which require the Council to approve an MRP statement in advance each year. A variety of options are provided to Councils within the guidance. Councils are permitted under the guidance to establish their own approach to setting MRP and different approaches can be applied for different types of assets. The Council's principal responsibility is to ensure that it can demonstrate that whatever approach they adopt across their asset base it is prudent. Given the Council's decision to adopt a Commercial and Investment Strategy it was necessary to revise the MRP policy in 2020/21 to take account of investments which might feasibly be taken forward in accordance with the Commercial and Investment Strategy. The policy applicable for the current financial year onwards is as follows:
- (1) For unsupported borrowing (including finance leases) undertaken to fund the Council's capital programme, excluding any capital expenditure approved by the Council's Investment Board, MRP will be based on the estimated useful life of the assets to be purchased or acquired. Repayments made under the terms of finance leases shall be applied as MRP.
 - (2) For Investment Properties purchased or constructed (following a decision taken by the Council's Investment Board) the MRP charge shall be based on the difference between the value of the asset and the value of any outstanding unsupported borrowing secured to fund the original purchase of the asset. A calculation shall be undertaken at the end of each financial year to identify the difference between the value of the asset and the amount borrowed. Where a difference exists MRP shall be charged over a period commensurate with the period the Council expects to hold the asset as set out in reports presented to the Investment Board.

- (3) For any loans made to third parties, including those made to the Local Authority Trading Company, no MRP shall be charged where the loan requirement requires the third party to make repayments on at least an annual basis over the life of the loan. In the unlikely event of the Council providing a maturity loan to a third party, MRP shall be charged in equal amounts over the life of the loan.
- (4) Should the Council acquire an equity stake in any third party, the MRP charge will be for the lower of twenty years or the scheduled completion date of any projects funded by the third party using the proceeds from selling an equity stake to the Council.
- (5) For investment in Property Funds which the Council, following consultation with its Treasury Advisors, assesses as meeting the definition of capital expenditure MRP shall be charged over the period the Council expects to hold the investment. The period over which MRP can be charged for this type of investment shall not be permitted to exceed 20 years. The property funds referred to elsewhere in this document do not meet the definition of capital expenditure.

6.3 It is important to note that DLUHC are currently consulting on potential changes to the guidance relating to setting the Minimum Revenue Provision. One potential outcome of the consultation is that government could bring forward changes to the regulations

7 The Use of Council's Resources and the Investment Position

7.1 The application of resources (capital receipts, reserves etc) and temporary use of 'surplus cash balances' to both finance capital expenditure and other budget decisions to support the revenue budget reduces cash investment balances held (see below). Unless resources are supplemented with new sources (asset sales, capital grants, etc) then new borrowing will be required to fulfil the objectives as set in the Council's Business Plan. Detailed below are estimates of the year end balances for each resource.

Year End Resources	2022/23 Revised Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000
Fund balances / reserves	18,000	13,600	13,600	13,600
Expected investments	21,000	15,400	16,000	16,700

8 Affordability Prudential Indicators

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

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

Financing Costs to Net Revenue Stream	2022/23 Revised Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
	%	%	%	%
General Fund	5.65	7.73	11.53	12.98
Net Revenue Stream	£15.347m	£15.537m	£16.390m	£16.623m

- 8.3 Net Income from Commercial and Service Investments as % of net revenue stream. This indicator identifies the authority's reliance on income from Commercial and Service Investments such as rents from the Council's long-standing portfolio of non-operational assets managed to secure rental income and income from fees and charges earned from providing facilities for conferences and meetings (economic estates) and one commercial investment property.

Ratio of Income From Commercial and Service Investments to net revenue stream	2022/23 Revised Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
	%	%	%	%
General Fund	6.5	6.8	6.4	6.3
Net Revenue Stream	£15.347m	£15.537m	£16.390m	£16.623m

9 Treasury Management Strategy

- 9.1 The capital expenditure plans set out in section 5 provide a summary of future level of spend. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet service activity and the Council's capital strategy. This will involve both the organisation of cash flow and where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.
- 9.2 The Council's treasury portfolio as at 31 March 2022 for borrowing and investments was £7.906m and £35.9m respectively. As of 31 December 2022, investments are £33.188m (see Appendix A attached) and borrowing £7.895m.
- 9.3 The Council's forward projections for borrowings are summarised below. The next table shows the actual external debt, against the underlying capital borrowing need (the Capital Financing Requirement - CFR).

	2022/23 Revised Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000
Debt at 1 April	7,800	8,523	19,013	29,363
Expected change in debt to fund capital programme (excluding Commercial and Investment Strategy schemes)	0	7,690	1,050	350
Borrowing to fund Commercial and Investment Strategy Schemes	700	2,800	9,300	8,177
Other long term liabilities (OLTL)	106	23	0	0
Expected change in OLTL	(83)	(23)	0	0
Actual gross debt at 31 March	8,523	19,013	29,363	37,890
Capital financing requirement (CFR) at 31 March	9,370	19,461	29,083	36,828
Borrowing less CFR – 31 March	(847)	(448)	280	1,062

- 9.4 At 1 April 2022 the Council's Debt position comprised other long-term liabilities relating to finance leases of £106k and external borrowing of £7.8m. These loans were taken out at prevailing market rates between 1994 and 2004. The term of these loans is between 25 and 50 years. Following the transfer of the Council's Housing Stock in 2007, which generated a significant capital receipt for the Council, the Council has retained investment balances which exceed the amounts borrowed. However, changes in prevailing interest rates since the loans were taken out mean that a high premium would be payable by the Council if it were to seek to repay any of the loans early. The premiums to be applied are considered to be prohibitively high for early redemption to be regarded as a reasonable treasury management decision. The Council continues to keep this situation under review with the support of its appointed treasury management advisors. However, for the purposes of this strategy, it has been assumed that external borrowing of £7.8m brought forward, as at 1 April 2022, will continue to be carried forward due to the current historically low interest rates.
- 9.5 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that long term borrowing is not undertaken for revenue or speculative purposes (in the sense of anticipating future upward movements in interest rates), other than where the borrowing fits in with the Council's approved Investment Strategy.
- 9.6 The Council notes that the Prudential Code published by CIPFA prohibits local authorities from borrowing in advance of need. This prohibition has been recently re-affirmed by DLUHC in its Statutory Guidance on Local Authority Investments which states that this prohibition extends to undertaking borrowing to fund the purchase of financial and non-financial investments, including investment properties. This is on the

basis that in such circumstances local authorities would be borrowing 'purely in order to profit from investment of the extra sums borrowed'. Section 4 of the Council's Capital Strategy explains how the Council has had regard for this guidance and notes the Council's approach to determining whether the motivation behind any proposed investment is purely to profit from investment of any sums borrowed.

- 9.7 Interest repayments associated with the external debt (including finance leases) above are shown below. The figures in the third column reflect the interest which would fall due if the Investment Board were to approve schemes totalling the full allocation of £20.977M and borrowing was undertaken over 4 years (see table 9.3 above) funded by a maturity loan at today's rate.

YEARS	INTEREST DUE (EXISTING CAPITAL SCHEMES) £000	INTEREST DUE (FUNDING OF COMMERCIAL AND INVESTMENT STRATEGY) £000	TOTAL £000
2022/23	486,400	2,630	489,030
2023/24	617,770	105,000	722,770
2024/25	770,700	373,650	1,144,350
2025/26	795,220	669,650	1,464,870

- 9.8 The operational boundary 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.

Operational Boundary	2022/23 Revised Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000
Debt	7,800	15,500	16,500	17,000
Other long term liabilities	1,000	1,000	1,000	1,000
Commercial Activities / Non Financial Investments	20,977	20,977	20,977	20,977
Total	29,777	37,477	38,477	38,977

- 9.9 The authorised limit is a key prudential indicator, which 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 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.
- 9.10 This is a 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 council's plans, or those of a specific council, although this power has not yet been exercised. The Council is asked to approve the following authorised limit.

Authorised Limit	2022/23 Revised Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000
Debt	12,800	19,500	20,500	21,000
Other long term liabilities	1,000	1,000	1,000	1,000
Commercial Activities / Non Financial Investments	20,977	20,977	20,977	20,977
Total	34,777	41,477	42,477	42,977

10 Prospects for Interest Rates

- 10.1 The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives Link Assets Service's central view.

Link Group Interest Rate View	19.12.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave eamings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave eamings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

- 10.2 Links central forecast for interest rates was updated on 19 December and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. Bank Rate stands at 3.5% currently but is expected to reach a peak of 4.5% in Q2, 2023.
- 10.3 Further down the road, Link anticipate that the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures have lessened – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
- 10.4 The CPI measure of inflation looks to have peaked at 11.1% in Q4 2022 (currently 10.5%). Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market
- 10.5 Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started and will focus on the short, medium and longer end of the curve in equal measure, now that the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy are firmly in the rear-view mirror.
- 10.6 PWLB Rates - The yield curve movements have become less volatile of late and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.10% to 4.80%. Link view is that markets have built in, already, nearly all the effects of gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.
- 10.7 Borrowing advice – Links long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are currently above this level, better value can generally be obtained at the shorter end of the curve and short-dated fixed borrowing should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

- 10.8 Investment returns are expected to improve in early 2023. 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
- 10.9 The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.
- 10.10 While this authority will not be able to avoid borrowing to finance new capital expenditure and the rundown of reserves, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances.

11 Borrowing Strategy

- 11.1 As noted above in paragraph 9.5 the Council recognises that statutory guidance indicates that whilst the Council has the necessary powers to borrow in advance of need the government and CIPFA state it should refrain from doing so where such borrowing takes place purely in order to profit from investment of the extra sums borrowed. None of the Council's current borrowing was undertaken in advance of need.
- 11.2 The Council is currently forecasting an under-borrowed position, where the CFR balance is greater than gross debt over part of the strategy.
- 11.3 Where the Council has insufficient internal resources to fund its capital programme the difference between available resources and funds required is met through borrowing. The Council is able to borrow internally if it identifies that it has surplus funds currently held in investments which could be used to finance its capital programme. However, any decision to borrow internally has to consider when any funds borrowed might be required to support the day-to-day cash needs of the Council. Unless the Council is able to increase the surplus funds it has available, i.e. through generating surpluses on the revenue account, internal borrowing will only provide a temporary solution to funding the capital programme
- 11.4 When the Council borrows externally it will ordinarily do so using funds borrowed from the Public Works Loan Board, though this does not preclude the Council considering other sources of lending.
- 11.5 The current Medium Term Financial Strategy assumes that some external borrowing will be required over the four-year period to 31 March 2026. Assumptions about the level of external interest payable are reflected as part of the prudential indicators included in this document. Responsibility for deciding when to borrow externally, together with details of the amount to borrow and the term and type of any loan, rests with the Chief Finance Officer. The Chief Finance Officer's decision will be informed by advice from the Council's treasury management advisors and information regarding the progress of schemes set out in the capital programme. Any borrowing decisions will be reported to Cabinet through either the mid-year or annual treasury management reports.
- 11.6 Maturity structure of borrowing. 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.

Maturity structure of fixed interest rate borrowing 2023/24	Lower %	Upper %
Under 12 months	0	40
12 months to 2 years	0	50
2 years to 5 years	0	75
5 years to 10 years	0	75
10 years and above	0	100

Maturity structure of variable interest rate borrowing 2023/24	Lower %	Upper %
Under 12 months	0	100
12 months to 2 years	0	100
2 years to 5 years	0	100
5 years to 10 years	0	100
10 years and above	0	100

12 Debt Rescheduling / Repayment

- 12.1 Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates,
- 12.2 If rescheduling was done, it will be reported to the Cabinet at the earliest meeting following its action.

13 Annual Investment Strategy - management of risk

- 13.1 The Department of Levelling Up, Housing and Communities (DLUHC) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).
- 13.2 The Council's investment policy has regard to the following:-
- DLUHC's Guidance on Local Government Investments ("the Guidance");
 - CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code"); and
 - CIPFA Treasury Management Guidance Notes 2021.
- 13.3 The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite
- 13.4 The above guidance from the DLUHC and CIPFA, place a high priority on the management of risk. The Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means.
- 13.5 Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings
- 13.6 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 maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.
- 13.7 Investment instruments identified for use in the financial year are listed below under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules.

- 13.8 **Specified Investments** - These investments are sterling investments (meeting the minimum 'high' quality criteria where applicable) of not more than one year maturity, or those which could be for a longer period but where the Council has the right to repay within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. Investment instruments identified for use in the financial year are as follows:
- term deposits with part nationalised banks and local authorities;
 - term deposits with high credit criteria deposit takers (banks and building societies);
 - callable deposits with part nationalised banks and local authorities;
 - callable deposits with high credit criteria deposit takers (banks and building societies);
 - money market funds (CNAV) / (LVNAV) / (VNAV);
 - Debt Management Agency Deposit Facility (DMADF); and
 - UK Government gilts, custodial arrangement required prior to purchase.
- 13.9 **Non-Specified Investments** - These are any other type of investment (i.e. not defined as specified above). Investment instruments identified in both "specified" and "non-specified" categories are differentiated by maturity date and classed as non-specified when the investment period and right to be repaid exceeds one year. Non-specified investments are more complex instruments which require greater consideration by members and officers before being authorised for use. Investment instruments identified for use in the financial year are as follows:
- term deposits with high credit criteria deposit takers (banks and building societies);
 - term deposits with part nationalised banks and local authorities;
 - callable deposits with part nationalised banks and local authorities;
 - callable deposits with high credit criteria deposit takers (banks and building societies);
 - Debt Management Agency Deposit Facility (DMADF);
 - UK Government gilts, custodial arrangement required prior to purchase; and
 - Property funds.
- 13.10 As a result of the change in accounting standards first introduced in 2018/19 under IFRS 9, the Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. In November 2018, the former Ministry of Housing, Communities and Local Government, now the 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.
- 13.11 DLUHC launched an 8-week consultation on the future of the IFRS 9 statutory override from 11 August 2022 to 7 October 2022. The aim of this consultation was to collect the views of Authorities and other stakeholders, and to collect additional information needed to understand the financial risks associated with both continuing the statutory override or allowing reversion to the Code of Practice on Local Authority Accounting. The responses to the consultation have now been considered and Ministers have decided to extend the existing IFRS 9 statutory accounting override for a further 2 years until 31 March 2025. DLUHC will publish the Government's full response to the consultation early 2023.

- 13.12 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). Greater returns are usually obtainable by investing for longer periods. Short term cash flow requirements (up to 12 months) include payments such as, precepts, business rate retention, housing benefits, salaries, suppliers, interest payments on debt etc.
- 13.13 The current forecast shown in paragraph 10.1, includes for bank rate to continue to increase peaking at around 4.5% in Q2 2023.
- 13.14 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Average earnings in each year	
2022/23 (remainder)	4.00%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%

- 13.15 Estimated investment income is £570,000 for 2022/23 and £550,000 in 2023/24. These estimates assume that none of the existing cash balances held by the Authority will be utilised to fund schemes approved by the Investment Board.
- 13.16 £4m of the Council's investments are held in externally managed pooled property funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability.
- 13.17 As the Council's externally managed funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's medium to long-term investment objectives are regularly reviewed. Although the returns from these investments can be higher than short term investments there is an increased risk that capital values will rise and fall. The 2022/23 projected outturn for property fund income is £125,000 and the estimate for 2023/24 is £150,000.
- 13.18 **Investment treasury indicator and limit** - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year end.²⁰

	2023/24 £000	2024/25 £000	2025/26 £000
Maximum principal sums invested > 365 days	10,000	10,000	10,000

- 13.19 For its cash flow generated balances, the Council will seek to utilise its call accounts and short dated deposits (overnight to 180 days) in order to benefit from the compounding interest.
- 13.20 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

14 Creditworthiness Policy

- 14.1 The Council applies the creditworthiness service provided by Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:
- "watches" and "outlooks" from credit rating agencies;
 - Credit Default Swaps spreads to give early warning of likely changes in credit ratings;
 - sovereign ratings to select counterparties from only the most creditworthy countries.
- 14.2 This modelling approach combines credit ratings, Watches and Outlooks in a weighted scoring system, which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:
- yellow 5 years;
 - dark pink 5 years for ultra-short dated bond funds with a credit score of 1.25;
 - light pink 5 years for ultra-short dated bonds funds with a credit score of 1.5;
 - purple 2 years;
 - blue 1 year (only applies to nationalised or semi nationalised UK banks);
 - orange 1 year;
 - red 6 months;
 - green 100 days
 - no colour not to be used.
- 14.3 The Link creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system does not give undue preponderance to just one agency's ratings.
- 14.4 Typically, the minimum credit ratings criteria the Council will use will be short term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use
- 14.5 The Council's own bank currently meets the creditworthiness policy. However, should they fall below Link Group creditworthiness policy the Council will retain the bank on its counterparty list for transactional purposes, though would restrict cash balances to a minimum.
- 14.6 All credit ratings are monitored weekly and prior to any new investment decision. The Council is alerted to changes to ratings of all three agencies through its use of the Link Group creditworthiness service.
- If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
 - In addition to the use of credit ratings the Council will be advised of information in movements in credit default swaps against the iTraxx European Financials

benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

- 14.7 Sole reliance will not be placed on the use of Link Group Creditworthiness policy. In addition, this Council will also use market data and market information, information on any external support for banks to justify its decision making process.
- 14.8 To further mitigate risk the Council has decided that where counterparties form part of a larger group, group limits should be used in addition to single institutional limits. Group limits will be as set through the Council's Treasury Management Practices – schedules.
- 14.9 In relation to financial institutions, the Council currently only invests in UK banks and building societies, which provides sufficient high credit quality counterparties to meet investment objectives. It should be noted that in some cases these banks are subsidiaries of foreign banks but these are of the highest credit quality.

15 External Service Providers

- 15.1 The Council uses Link Group as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the authority at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to available information, including, but not solely, our treasury advisors.
- 15.2 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties. The Council will engage specialist advisers for commercial-type investments.

FENLAND DISTRICT COUNCIL

CAPITAL STRATEGY 2023/24-2025/26

1. OVERVIEW AND CONTEXT

- 1.1 The Council has established statutory and regulatory responsibilities for the management of its financial affairs. These responsibilities encompass revenue and capital expenditure. The specific responsibilities of full Council, the Cabinet, the Investment Board, Corporate Management Team (CMT) and the Council's appointed Section 151 Officer are defined within the Council's constitution.
- 1.2 The Council regularly updates its Medium Term Financial Strategy (MTFS). The MTFS provides a framework for setting the Council's annual revenue budget and updating the Council's three-year capital programme. The MTFS sets out the primary assumptions underpinning the assessment of the resources available to the Council and anticipated service budgets over the coming five financial years.
- 1.3 Whilst local authorities are required to set a balanced revenue budget, legislation permits local authorities to obtain credit and therefore fund their capital programmes from borrowing. Individual authorities are required to have regard for the Prudential Code published by the Chartered Institute of Public Finance and Accountancy. The Prudential Code requires authorities to ensure:
- all capital expenditure and investment plans are affordable;
 - all external borrowing and long-term liabilities are within prudent and sustainable levels;
 - treasury management and other investment decisions are taken in accordance with professional good practice; and
 - authorities can demonstrate themselves to be accountable by providing a clear and transparent framework.
- 1.4 Historically, this Council has discharged its responsibilities under the Prudential Code by ensuring that the Treasury Management Strategy, which is approved annually by full Council, is prepared with reference to the latest capital programme. The Capital Programme is itself developed with explicit consideration of the extent to which proposed capital investment is affordable, prudent and sustainable given the resources available to the Council as set out in the MTFS.

- 1.5 Following an update to the Prudential Code in December 2017, local authorities are now required to have a Capital Strategy. The introduction of this requirement acknowledges that individual authorities will each have their own approach to assessing priorities for capital investment, the amount the Authority can afford to borrow and the Authority's appetite to risk.
- 1.6 This strategy sets out in a single document the long term context in which capital expenditure and investment decisions are made and establishes that the Council has arrangements in place to ensure it gives due consideration to risk, reward, and impact on the achievement of priority outcomes. The Strategy is updated annually and subject to approval by Full Council alongside the annual budget.

2. CAPITAL EXPENDITURE

- 2.1 Capital expenditure incorporates a range of different types of financial transaction which the Council might enter into. What these transactions have in common is that they relate to investments decisions which impact on the Council and its stakeholders over a period which extends beyond the financial year in which the transaction is entered into. The Council's appointed S151 Officer ultimately has responsibility for determining whether expenditure is capital in nature in accordance with relevant regulation and statute.

Role and Purpose of the Asset Management Plan

- 2.2 The Council has developed an Asset Management Plan in accordance with acknowledged best practice. This document provides a strategic framework for managing the Council's current portfolio of land and buildings ensuring that officers and elected members can have confidence, in the long-term, that the Council has the land and property needed to fulfil the pledges set out in the Council's Business Plan.
- 2.3 The Asset Management Plan incorporates oversight of operational and non-operational property owned by the Council. Operational assets are those assets held by the Council to enable the Council, or its partners, to deliver those services which are either statutory in nature or provided on a discretionary basis to the extent that providing those services is consistent with the strategic objectives of the Council. Non-operational assets are those assets which are not directly used for the purposes of service delivery but are held to either provide the Council with a return on investment, either through rental income, appreciation in the value of the asset or the potential contribution that holding the asset makes to the Council's wider corporate objectives, e.g. taking forward opportunities to regenerate and develop the local economy.
- 2.4 Responsibility for the Asset Management Plan rests with the Council's Assets and Projects team which reports to the Council's Corporate Director and Chief Finance Officer. The Assets and Projects team regularly appraise the condition of the Council's property portfolio to determine the revenue and capital resources required to ensure the portfolio continues to meet the needs of Service Managers. When the needs of services managers change the Assets and Projects team will assist in determining the impact on the property portfolio, including the resources required to meet those needs. The Assets and Projects team recognise that the Council's property needs are unlikely to remain static and the past cost of maintaining a Council asset is not necessarily a reliable indicator of future costs. Forward projections regarding the resources to be allocated to asset management recognise the

interaction between revenue and capital expenditure in determining the Council's cost base.

- 2.5 The capital resources required to meet investment needs identified as part of the Asset Management Plan are routinely assessed and anticipated capital expenditure is profiled over the financial years when it is expected to be incurred. On at least an annual basis capital schemes identified as part of the Asset Management Plan are presented to a meeting of the Council's Corporate Asset Team to determine when and if they should be incorporated into the Council's Capital Programme.

Investment in Vehicles, Plant, Equipment and IT

- 2.8 The Council has nominated service managers who are responsible for the vehicles, plant and information technology assets in use within the Council. These assets all have an expected useful economic life informed by an assessment by the nominated manager. The need to allocate capital resources to fund the replacement of these assets at the end of their useful life is assessed annually by the Council's Corporate Asset Team. There is also an annual appraisal of business cases relating to proposals to invest in additional equipment not reflected in the programme of rolling replacements.

Role and Function of the Corporate Asset Team

- 2.9 The Corporate Asset Team is an officer-led group which meets bi-monthly under the Chairmanship of the relevant Corporate Director. On behalf of the Council's Corporate Management Team, the Corporate Asset Team assumes responsibility for providing a strategic oversight in respect of all matters pertaining to asset management.
- 2.10 All proposed changes to the Council's three-year capital programme are subject to review by the Corporate Asset Team prior to being considered by Corporate Management Team, the Cabinet and Full Council. Any scheme which is not already incorporated into the Council's Asset Management Plan will only be considered for inclusion in the Capital Programme if the Officer proposing the scheme can demonstrate, with appropriate evidence, one or more of the following:
- there is a statutory obligation for the Council to incur the capital expenditure proposed;
 - the proposed capital expenditure relates to works deemed necessary on the grounds of health and safety;
 - capital expenditure is proposed to protect a Council asset and reduce the risk of excessive revenue expenditure being incurred in upcoming financial years;

- the proposed capital expenditure will generate income, either of a revenue or capital nature, in excess of the capital expenditure which is expected to be incurred including any financing costs but does not meet the definition of asset acquired 'primarily for yield' as defined in guidance issued by HM Treasury; and/or
- the proposed capital expenditure will (after including financing costs) reduce revenue expenditure incurred by one or more of services in future financial years.

2.11 The capital financing regulations permit the Council to treat as capital expenditure certain types of transaction which do not result in the acquisition of a physical asset by the Council. These transactions can be high-volume, small value transactions such as the awarding of Disabled Facilities Grants which are currently funded from monies received as part of Cambridgeshire County Council's Better Care Fund allocation. Such transactions do not require specific approval providing the nature and purpose of the expenditure has been approved as part of the Capital Programme.

2.12 Any proposals to incur capital expenditure which do not lead to the recognition of a physical asset where the expenditure proposed exceeds £10,000 but does not fall within the scope of the Council's Commercial and Investment Strategy will be considered at a meeting of CMT. If approved by Cabinet, approval will be sought at a meeting of Cabinet before being considered at full Council if necessary. Possible examples include, but are not restricted to:

- granting loans to third parties (for reasons not linked to the objectives of the Commercial and Investment Strategy);
- providing grant-funding to a third party which enables that third party to undertake expenditure which would have been capital in nature had it been undertaken by the Council.

Role and Function of the Investment Board

2.13 During the 2019-20 financial year the Council initiated the development of a Commercial and Investment Strategy for the Council. The current version of the Strategy was approved by full Council on 9 January 2020.

2.14 The Commercial and Investment Strategy was developed in recognition of the investment opportunities available to the Council acknowledging that utilising the Council's powers to invest could bring substantial benefits not only to the Council but also to the wider District and its residents. The Capital Strategy has been updated to take account of the changes in the Council's arrangements for determining its capital priorities which arise from

the implementation of the Commercial and Investment Strategy. This is explained in more detail in section four of this document.

- 2.15 Following the approval of the Commercial and Investment Strategy Cabinet approved the establishment of a sub-committee known as the Investment Board. The Investment Board has initially been allocated a maximum budget of £25M to take forward capital schemes which facilitate the achievement of the objectives set out in the Strategy. To date £4.028M of this allocation has been utilised to take forward specific schemes and the balance has been profiled over the upcoming three financial years.
- 2.16 The Investment Board undertakes its own appraisals of proposed capital schemes. The appraisal of such schemes will be separate from and in addition to the proposals for new capital schemes considered at meetings of Corporate Asset Team which follow the process outlined in paragraph 2.10 of this strategy. The Investment Board has delegated powers to approve schemes providing the maximum budget is not exceeded.
- 2.17 Capital schemes which fall within the remit of the Investment Board include the acquisition of share capital or the granting of loan funding to companies and/or partnerships in which the Council has an interest. The decision about whether to establish a company or enter into a partnership rests with Cabinet. The Investment Board is responsible for the approval of the business plans of any entities created as a result of a decision taken by Cabinet. Approval of the relevant business plan will precede the allocation of capital funds.
- 2.18 On 9 June 2020 Cabinet approved a business case for the establishment of a Local Authority Trading Company. Following that meeting the Council formally registered Fenland Future with Companies House (Company No. 12659496). Directors have been appointed to the Board of Fenland Future and the Board and during the 2022/23 financial year work on appraising potential investments and developing relevant business cases has continued.
- 2.19 The Council recognises that since the Commercial and Investment Strategy was approved in February in January 2020 guidance has been introduced restricting local authorities' access to Public Works Loan Board financing where that funding is to be used to acquire investment assets primarily for yield. Additionally, the Council recognises that where internal borrowing is utilised to acquire investment assets this has the potential to increase the Council's overall level of debt by bringing forward the point in time when the Council needs to borrow externally. Notwithstanding these considerations, the Council believes there is still a substantial opportunity for the Council to

deliver against its objectives linked to regeneration and improving the supply of housing in the District by investing responsibly under the aegis of the Commercial and Investment Strategy.

3 DEBT AND BORROWING AND TREASURY MANAGEMENT

3.1 Day-to-day responsibility for the Treasury Management function rests with the Chief Finance Officer. This section of the strategy reproduces key information taken from the Treasury Management Strategy Statement. The profile of borrowing linked to the Commercial and Investment Strategy shown below is indicative. The operational boundary and authorised limits shown in Tables 3 and 4 have been determined with reference to the budget allocated to the Investment Board referred to in paragraph 2.15 above. This recognises that the Investment Board could invest the remaining allocation in one financial year if this were deemed to be appropriate.

Key Considerations relating to Treasury Management

3.2 The tables below set out the Council's Investment and Debt positions with forward projections.

Table 1: Year End Investment Balances projected over the period 1 April 2022 – 31 March 2026

Year End Investments	2022/23 Revised Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
	£000	£000	£000	£000
Fund balances / reserves	18,000	13,600	13,600	13,600
Expected investments	21,000	15,400	16,000	16,700

Table 2: Year End Debt and Net Investment projected over the period 1 April 2022– 31 March 2026

Year-End Debt	2022/23 Revised Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
	£000	£000	£000	£000
Debt at 1 April	7,800	8,523	19,013	29,363
Expected change in debt to fund capital programme (excluding Commercial and Investment Strategy schemes)	0	7,690	1,050	350
Borrowing to fund Commercial and Investment Strategy schemes	700	2,800	9,300	8,177
Other long term liabilities (OLTL)	106	23	0	0
Expected change in OLT	(83)	(23)	0	0
Actual debt at 31 March	8,523	19,013	29,363	37,890

3.3 At 1 April 2022 the Council's Debt position comprised other long-term liabilities relating to finance leases of £106k and external borrowing of £7.8m. These loans were taken out at prevailing market rates between 1994 and 2004. The term of these loans is between 25 and 50 years. Following the transfer of the Council's Housing Stock in 2007, which generated a significant capital receipt for the Council, the Council has retained investment balances which exceed the amounts borrowed. However, changes in prevailing interest rates since the loans were taken out mean that a high premium would be payable by the Council if it were to seek to repay any of the loans early. The premiums to be applied are considered to be prohibitively high for early redemption to be regarded as a reasonable treasury management decision. The Council continues to keep this situation under review with the support of its appointed treasury management advisors. However, for the purposes of this strategy, it has been assumed that external borrowing of £7.8m brought forward, as at 1 April 2022, will continue to be carried forward due to the current historically low interest rates.

3.4 Regulation requires the Council to determine, as part of the Treasury Management Strategy, the maximum external debt position for the upcoming three financial years. This is known as the Council's authorised limit. Additionally, the Council is required to set an operational boundary. The purpose of the operational boundary is to set a threshold for external borrowing which the Council would not expect to exceed in the ordinary management of its affairs. Sustained breaches of the operational boundary would be indicative that the Council could be at risk of exceeding its authorised limit.

3.5 The current authorised limits and operational boundaries for the period covered by this strategy are set out in the table below:

Table 3: Operational Boundary over the period 1 April 2022 – 31 March 2026

Operational Boundary	2022/23 Revised Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
	£000	£000	£000	£000
Debt	7,800	15,500	16,500	17,000
Other long term liabilities	1,000	1,000	1,000	1,000
Commercial Activities/ Non-Financial Investments	20,977	20,977	20,977	20,977
Total	29,777	37,477	38,477	38,977

Table 4: Authorised Limit over the period 1 April 2022 – 31 March 2026

Authorised Limit	2022/23 Revised Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
	£000	£000	£000	£000
Debt	12,800	19,500	20,500	21,000
Other long term liabilities	1,000	1,000	1,000	1,000
Commercial Activities / Non-Financial Investments	20,977	20,977	20,977	20,977
Total	34,777	41,477	42,477	42,977

- 3.6 Table 2 above indicates that the Council's Actual Debt position is expected to increase over the period covered by this strategy. This reflects an anticipated decision to undertake external borrowing to fund the expenditure commitment set out in the capital programme. In accordance with the Council's constitution, any decision about when, how much and from where to borrow will be made by the appointed S151 Officer.
- 3.7 Regulations prevent the Council from borrowing in advance of need. There is no requirement for the Council to draw on investment balances to fund its capital commitments prior to undertaking external borrowing but guidance being developed by CIPFA encourages authorities to considering exiting long-term investments to reduce the need to take on additional debt. To manage interest rate risk effectively, the Council will continue to consider medium and long-term forecasts of interest rates provided by its Treasury Management advisors to project likely returns from the investment of surplus funds and the financing costs associated with external borrowing. This approach recognises that postponing long-term borrowing to future years could be more expensive over the life of the loan if interest rates were to increase.
- 3.8 The Council is required by statute to make arrangements to ensure that there is provision to repay as part of the Council's revenue budget any borrowing undertaken to finance the capital programme. This is known as the Minimum Revenue Provision (MRP) and the Council is required to approve its MRP policy on an annual basis:

Table 5: Projected Minimum Revenue Provision over the period 1 April 2022– 31 March 2026

	Projected Minimum Revenue Provision (£000)
2022/23	377
2023/24	397
2024/25	729
2025/26	782

- 3.9 Regulation requires the Council to ensure that its MRP policy results in prudent levels of MRP. The Council's MRP policies are explained in full as part of the Treasury Management Strategy Statement which is approved by Full Council annually. Specific provisions are in place to explain the approach taken to determine MRP for schemes taken forward as part of the Commercial and Investment Strategy.
- 3.10 At the present time no assumptions have been made regarding the MRP which would be due on schemes taken forward as part of the implementation of the Commercial and Investment Strategy. These assumptions will be updated as schemes are taken forward.
- 3.11 In recognition of the inherent volatility of commercial investment the Council has established an Investment Strategy reserve. One of the purposes of that reserve is that it should hold surpluses in respect of those years where actual income generated from commercial investments exceeds budget estimates. This can help reduce the impact on the General Fund of any unanticipated shortfall which might arise in future years.

4. COMMERCIAL ACTIVITY

- 4.1 The Council has a long-standing portfolio of non-operational assets which it manages to secure a rental income and income from fees and charges earned from providing facilities for conferences and meetings. The main non-operational assets held by the Council are:
- Boathouse Business Centre, Wisbech – Office Units, Conference and Meeting Space
 - South Fens Business Centre, Chatteris - Office Units, Conference and Meeting Space
 - South Fens Enterprise Park, Chatteris – Light Industrial Units for Small Business Use
- 4.2 Rents generated from the lease to third parties of areas of land, buildings and/or infrastructure held by the Council principally for the purposes of service delivery, i.e. premises at Fenland Hall, the Base and Wisbech Port have been assessed by officers to fall outside the scope of commercial activity in the context of this section of the Council Strategy. This reflects the fact that the motive for holding these assets is not principally commercial in nature.
- 4.3 Responsibility for assessing the need for capital investment in the current portfolio of non-operational assets, reflecting those non-operational assets held as at 31 March 2022 currently rests with the Corporate Asset Team in accordance with the arrangements set out in paragraph 2.10 above.

- 4.4 During the 2020-21 financial year the Council approved a Commercial and Investment Strategy. The Council has established an Investment Board to take forward capital schemes which deliver against objectives set out in part two (commercial property investment) and part three of the Strategy (commercial investment and regeneration).
- 4.5 The Commercial and Investment Strategy sets out the assessment criteria to be used for investments undertaken in accordance with part two of the strategy. This requires the Council to determine the net yield associated with each proposed acquisition, after taking account of financing costs, including MRP, and to assess the particular circumstances relating to each acquisition to understand the risks the Council is subject to and possible sources of mitigation. The Council is cognisant of the recent changes to the regulations which govern the basis on which authorities can take out loans from the Public Works Loan Board and specifically preclude authorities who plan to acquire investment assets primarily for yield from accessing PWLB loans. Reference to the current regulations has been incorporated into the Investment Board's decision-making processes.
- 4.6 Following approval of a proposal in March 2021 to date, the Council has acquired one commercial investment property which is let to a commercial tenant on a 25-year repairing and insuring lease.
- 4.7 The Investment Board is a sub-committee of the Cabinet. The Council's constitution requires that the committee's membership includes the Leader (who Chairs the Investment Board), the Portfolio Holder for Finance, as well as one other member of Cabinet appointed by the Leader or two members of Cabinet if the Leader also has the Finance Portfolio. The constitution requires the Chair of the Investment Board to ensure the Investment Board meets a minimum of three times each year. The Chair of the Overview and Scrutiny Panel will attend the Investment Board's meetings in an observational capacity.
- 4.8 The Investment Board is a decision-making body and its functions include the determination of investment appraisals and business cases submitted for its consideration. A report on the discharge of these functions is provided to the Cabinet twice a year.
- 4.9 The Investment Board also has responsibility for monitoring the performance and financial delivery of those appraisals and business cases it agrees to fund. The Section 151 Officer ensures that reports on the activities of the Investment Board prepared for consideration by Cabinet include details about the impact of the Board's activities on the overall financial position of the Council.

4.10 Statutory guidance published by MHCLG requires the Council to:

- assess and disclose publicly the extent to which it is dependent on profit-generating investments to deliver a balanced revenue budget over the life of the medium-term financial strategy; and
- to set limits for gross debt and commercial income as a proportion of the Council's budgeted net service expenditure over the life of the medium-term financial strategy.

Commercial Income as a proportion of net service expenditure

4.10 The current limit for budgeted commercial income as a proportion of net service expenditure has been set at 20% (equivalent to commercial income of £2.968M per year based on 2022/23 budgeted net service expenditure).

4.11 The Investment Board was established in January 2020. To date it has approved the acquisition of one tenanted industrial property. The indicator recommended by CIPFA is reported in the table below:

Table 6: Commercial Income as a proportion of Net Service Expenditure

Budgeted Income 2022/23 non-operational assets (Economic Estates)	£1.073m
Net Service Expenditure	£14.842M
Commercial Income as a % of Net Service Expenditure	7.2%
Approved Limit	20%

Gross Debt as a proportion of net service expenditure

4.12 The current limit for gross debt as a proportion of net service expenditure has been set at 375% (equivalent to gross debt of £55.66M per year based on 2022/23 budgeted net service expenditure).

4.13 As explained in paragraph 3.3 above whilst the Council has not undertaken external borrowing in recent years it does have £7.8M of external debt which was taken out at prevailing market rates between 1994 and 2004. This impacts on the calculation of gross debt as a proportion of net service expenditure as follows:

Table 7: Gross Debt as a proportion of Net Service Expenditure

Gross Debt expected as at 31 March 2023	£7.8M
Net Service Expenditure (2022/23)	£14.842M
Gross Debt as a proportion of Net Service Expenditure	52.6%
Approved Limit	375%

Commercial Property Investment – Loan to Value Assessment

- 4.14 An important consideration when appraising the impact of the Council's commercial and investment strategy on the Council is to consider the extent to which borrowing undertaken by the Council to fund investment in property is matched by the underlying value of the assets purchased.
- 4.15 When assets are first purchased it is common for the directly attributable costs associated with acquiring the asset, including applicable stamp duty, to exceed the realisable value of the asset. Consequently, if a property purchase is funded from borrowing this may mean in the early years of the Council's ownership the fair value of property owned by the Council may be less than the borrowing undertaken by the Council to fund the acquisition. Over time, if property prices appreciate this will have a positive impact on the Council's loan to value ratio.
- 4.16 The Council will obtain valuations of all its commercial investment properties annually and disclose the Loan to Value ratio as part of each year's capital strategy.
- 4.17 The Council has one commercial investment property which had been funded from borrowing. A valuation of that asset obtained as part of work completed to produce the 2021/22 statutory accounts indicated that, as at 31 March 2022, its value was equal to the consideration the Council had paid to the vendor in March 2021 exclusive of stamp duty and legal fees.

Borrowing in Advance of Need

- 4.17 Statutory guidance on Local Authority Investments and the Prudential Code published by CIPFA requires that authorities must not borrow in advance of their needs purely in order to profit from the investment of the extra sums borrowed. Government has clarified that this requirement extends to the use of external borrowing to fund the purchase of non-financial investments, including investment properties.
- 4.19 As noted in paragraph 2.15 above the Council's Investment Board has been allocated a budget of £25M to take forward the Council's Commercial and Investment Strategy. The Council's Commercial and Investment Strategy provides for two types of investments to be taken forward: part two of the strategy sets out the process to be followed for commercial property investment and part three is concerned with investments for regeneration and place-shaping.
- 4.20 The Council will need to undertake external borrowing if it is to utilise the full budget of £25M which has been allocated by Full Council.
- 4.21 The statutory guidance recognises that the Council can disregard the provisions of the Prudential Code and the statutory guidance providing it explains its reasons for doing so and its policies for investing the extra

amounts borrowed and the arrangements in place to manage the associated risks. However, the decision taken by government in November 2020 to preclude Councils from accessing loans from the Public Works Loans Board if they plan to acquire investment assets primarily from yield limits Councils' opportunities to take forward proposals which would previously have been possible.

- 4.22 The delivery of objectives linked to the Council's Commercial and Investment Strategy represents a key element of the Council's Business Plan. Whilst the regulatory context in which Councils are permitted to invest has altered and is expected to alter again following implementation of the revised Prudential Code from 2024/25s, this Council nevertheless believes there are opportunities for prudent investment in the District. Such investments can contribute to enhancing the District's economic vitality and act as leverage which enhances the viability of investment in our District funded by the private sector.
- 4.23 The Commercial and Investment Strategy sets out in detail the appraisal and decision-making approach the Investment Board is required to follow before any investment in commercial property is undertaken. This ensures that appropriate governance arrangements are in place and the Council has due regard to the risks associated with investments both individually and in the context of the overall level of risk presented by the Council's current portfolio.
- 4.24 Active monitoring of the portfolio will take place throughout the year with reference to the indicators included in this strategy together with appropriate commentary relevant to the particular investments held by this Council.

5. KNOWLEDGE AND SKILLS

- 5.1 The Council has professionally qualified staff across a range of disciplines including finance, legal and property that follow continuous professional development (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills.
- 5.2 Appropriate external advice will be engaged from suitably qualified professionals as and when required. This will apply particularly in those circumstances when the Council needs to undertake independent due diligence prior to making a decision regarding a proposed investment. Additionally, the Council will continue to enlist the year-round support of external Treasury Management advisors. This support is currently provided by Link Asset Services.
- 5.3 Internal and external training is offered to members to ensure they have up to date knowledge and expertise to understand and challenge capital proposals brought forward for approval and interpret the treasury management policies developed by officers in conjunction with relevant professional advisors.

PARISH PRECEPTS 2023/24

TAX BASE (Equated Band D Properties)	PRECEPT 2022/23 £	COUNCIL TAX PER BAND D PROPERTY £	PARISH	TAX BASE (Equated Band D Properties)	PRECEPT 2023/24 £	COUNCIL TAX PER BAND D PROPERTY £	INCREASE FROM 2022/23 %
357	12,852	36.00	BENWICK	362	12,852	35.50	-1.4
3,384	155,000	45.80	CHATTERIS	3,398	170,000	50.03	9.2
281	16,000	56.94	CHRISTCHURCH	290	18,500	63.79	12.0
863	60,000	69.52	DODDINGTON	873	60,000	68.73	-1.2
1,202	30,000	24.96	ELM	1,257	60,000	47.73	91.3
397	20,000	50.38	GOREFIELD	403	20,000	49.63	-1.5
1,160	56,000	48.28	LEVERINGTON	1,166	58,750	50.39	4.4
911	65,055	71.41	MANEA	922	72,000	78.09	9.4
6,726	320,000	47.58	MARCH	6,763	360,000	53.23	11.9
241	10,000	41.49	NEWTON IN THE ISLE	246	10,000	40.65	-2.0
463	20,660	44.62	PARSON DROVE	459	20,011	43.60	-2.3
400	15,000	37.50	TYDD ST GILES	404	15,000	37.13	-1.0
5,736	172,000	29.99	WHITTLESEY	5,860	174,000	29.69	-1.0
839	67,168	80.06	WIMBLINGTON	880	67,168	76.33	-4.7
6,504	389,640	59.91	WISBECH	6,555	392,670	59.90	0.0
1,200	77,074	64.23	WISBECH ST MARY	1,221	78,230	64.07	-0.3
30,664	1,486,449	48.48	GRAND TOTAL	31,059	1,589,181	51.17	5.55

EARMARKED AND GENERAL RESERVES - Revised 2022/23 and Estimated 2023/24

APPENDIX G

Reserve Name	Balance 01.04.22 £	Capital Funding £	Revenue Contributions to(+)/from(-) 2022/23 £	Revised Balance 31.03.23 £	Capital Funding £	Revenue Contributions to(+)/from(-) 2023/24 £	Estimated Balance 31.03.24 £	Comments / Conditions of Use
Travellers Sites	388,244		42,570	430,814		57,960	488,774	Can only be used for specific future maintenance liabilities.
CCTV - Plant & Equipment	31,128		10,000	41,128		10,000	51,128	Available for future CCTV maintenance & replacement liabilities.
Station Road, Whittlesey - Maintenance	7,600		2,800	10,400		2,800	13,200	Required for future road maintenance.
Management of Change	494,600	-100,000		394,600	-149,000		245,600	Available for the effective management of any organisational changes required to meet the Council's future priorities.
Business Rates Equalisation Reserve	2,016,333		-983,656	1,032,677		-211,048	821,629	Available to assist the Council in smoothing out volatility in the business rates retention system.
Capital Contribution Reserve	134,794	-6,000		128,794			128,794	Available to fund specific spending commitments in future years.
Port - Buoy Maintenance	146,999		-19,000	127,999			127,999	Available for future buoy maintenance to service windfarms.
Repairs and Maintenance	544,706			544,706			544,706	Available to provide funding for one-off schemes, not covered by the normal Repairs and Maintenance revenue budgets.
Heritage Lottery Fund (HLF) - Wisbech	51,682		-11,470	40,212			40,212	To manage the Heritage Lottery Funded scheme in Wisbech.
Highways Street Lighting	46,675		19,230	65,905		19,230	85,135	Available to fund future repairs and maintenance relating to street lighting.
Solid Wall Remediation	100,000			100,000			100,000	Available to fund potential costs linked to solid wall installations in the District.
Investment Strategy Reserve	1,340,168			1,340,168			1,340,168	Established to provide future funding for Commercial and Investment Strategy projects.
Budget Equalisation Reserve	1,066,644			1,066,644			1,066,644	Year-end surpluses are transferred to this reserve. If a deficit is forecast this reserve can be used to offset the expected shortfall.
Planning Reserve	283,117		-100,000	183,117		-100,000	83,117	Available to fund additional planning costs not reflected in the annual budget, including the development of the Local Plan.
Elections Reserve	60,000		46,872	106,872		-106,872	0	Available to fund four-yearly District-wide elections. Transfers are made to this reserve each year to fund the cost of the next District-wide election.
Port - Pilots Staff Development Training	24,000			24,000			24,000	Available to fund the training of maritime pilots to fulfill the authority's statutory functions.
Cambridgeshire Horizons - A14 Contribution	1,008,000			1,008,000		-42,000	966,000	Monies received from Cambridgeshire Horizons specifically for contribution to A14 improvements. To be paid over 25 years at £42k per annum.
Cambridgeshire Horizons	2,691,679		-191,430	2,500,249		-182,000	2,318,249	Available for the Council's future use in accordance with the conditions attached to the receipt.
Specific Government Grants (received in previous years)	1,902,720		-319,095	1,583,625		-399,305	1,184,320	Available to fund specific spending commitments in future years.
TOTAL EARMARKED RESERVES	12,339,086	-106,000	-1,503,179	10,729,907	-149,000	-951,235	9,629,672	
General Fund Balance	2,000,000			2,000,000			2,000,000	Unallocated general reserve required for various and unplanned for contingencies, to mitigate risks associated with future financial planning as well as for general day to day cash flow needs.
TOTAL RESERVES	14,339,086	-106,000	-1,503,179	12,729,907	-149,000	-951,235	11,629,672	

NB: In accordance with the Council's Financial Rules and Scheme of Financial Delegation (Part 4, Rule 6 of the Constitution), paragraphs B57 - B60 delegates authority to the Chief Finance Officer to approve expenditure from these reserves in accordance with their approved use as detailed above.