

 Colchester	Cabinet 25 January 2023 Scrutiny Panel 24 January 2023	Item 7(i)
Report of	Head of Finance and S151 Officer	Author
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Title	Budget 2023/24 and Medium-Term Financial Forecast 2023/24 to 2027/28	
Wards affected	All	

1 Executive Summary

1.1 The report recommends the 2023/24 budget and Medium Term Financial Forecast 2023/24 to 2027/28.

2 Recommended Decision

2.1 To approve the 2023/24 Revenue Budget and revised Medium Term Financial Forecast as set out Appendix A.

2.2 To note the Local Government Act 2003 Section 25 budget resilience statement and forecast level of balances set out in Appendix B.

2.3 To approve the Treasury Management Strategy Statement 2023/24 to 2027/28 as set out in Appendix C

2.4 To recommend to Council the 2023/24 revenue budget requirement of £25.285m

2.5 To recommend to Council Colchester's element of the Council Tax at £211.59 per Band D property being an increase of £6.12.

2.6 To approve £400k capital grant funding from the Right to Buy retained receipts reserve as set out in Section 10.7 of this report.

3 Reason for Recommended Decision

3.1 To balance the 2023/24 budget and revise the Medium Term Financial Forecast.

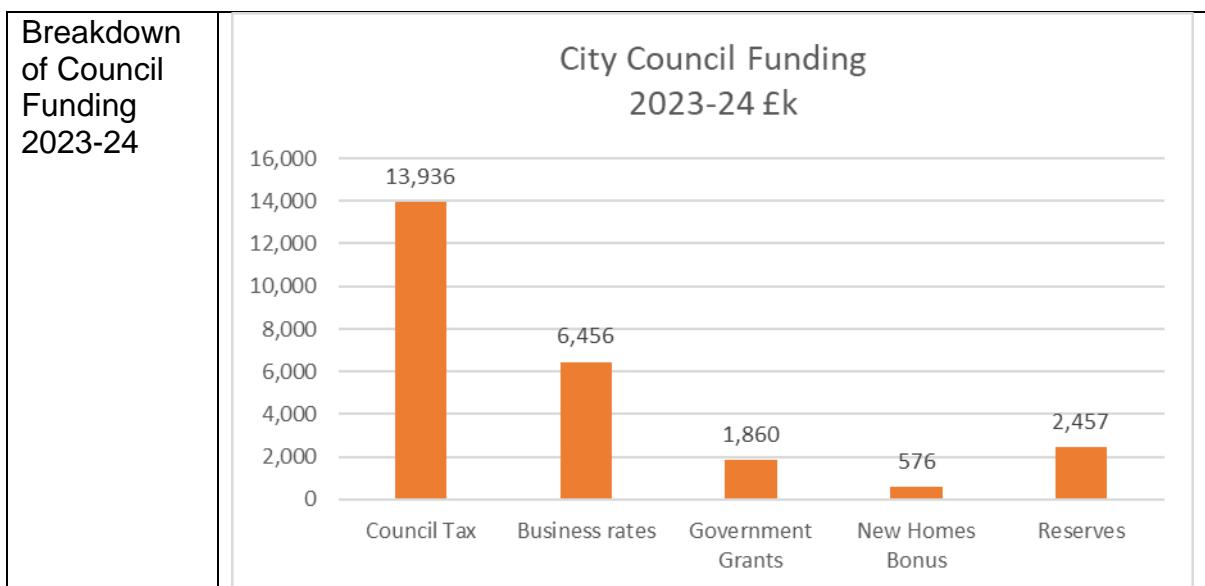
4 Alternative Options

4.1 None.

5 Summary of Council Funding

5.1 The table sets out a summary of the normal funding of Council services. This sets the budget recommendations in context.

Revenue	These are running costs and income, including salaries, supplies and services and sales fees and charges.
Capital	One-off investment in land and buildings, plant and equipment.
Housing Revenue Account	Council houses and flats. It is ringfenced and self-financing for both revenue and capital.
General Fund	Non-Housing Revenue Account services accounted for in the General Fund such as waste collection, museums, sport and leisure, democratic services for example.
The 23/24 Budget	General Fund Revenue financial plan for next year 2023/24.
Medium Term Financial Forecast	Our financial plan for the next five years on General Fund or Medium Term Financial Forecast.
Net Budget requirement	A technical budget setting calculation the Council must make in accordance with complex rules set by the Government. Running costs, sales fees and charges and grants for individual services.
Net Budget	Circa £21.9m (excluding North Essex Parking Partnership). £86.6m costs less £64.7m income, as set out in Appendix E.
Government funding	Since 2012 funding comes mainly from retained business rates.
Business rates	We collect about £50m a year of which we expect to retain around £6.5m in 2023/24. Business rates are set nationally.
Council tax	We collect the council tax, most of which relates to Essex County Council services. Of £130m+ we expect to retain £13.936m in 2023/24. The district council tax will be increased by just under £6.12p per annum in 2023/24. This is the maximum increase without needing approval in a local referendum.
Collection Fund	Business rates and council tax are accounted for in a separate collection fund. This is used to distribute total income to the government, county council and police and fire as well as our own requirements. Also used to share surpluses or deficits compared to budget. This is a complex calculation over a number of financial years. The business rates reserve is used to smooth the impact of changes from year to year.



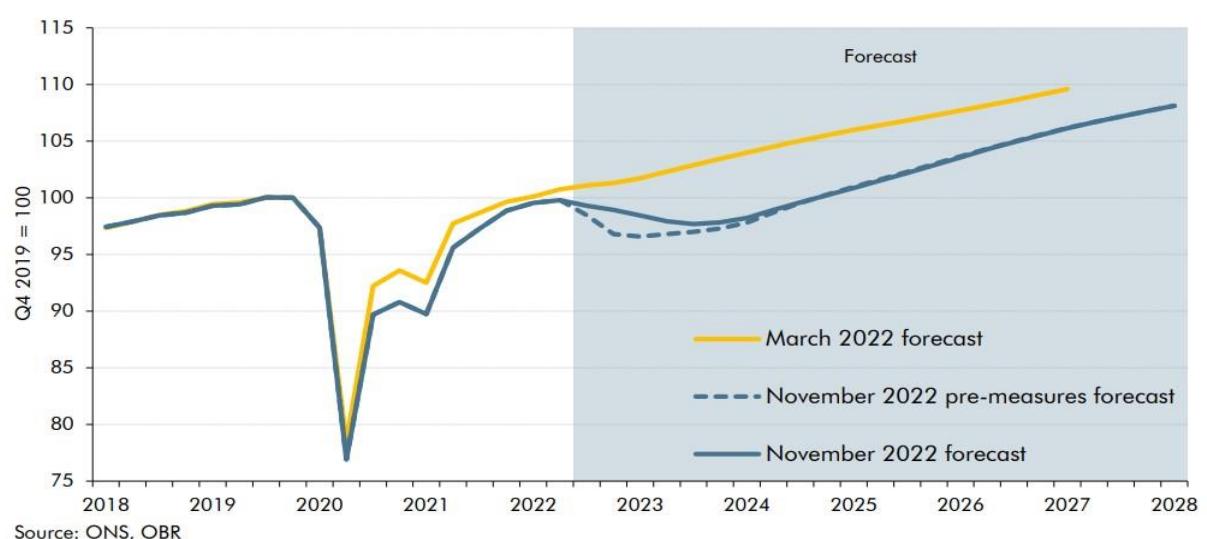
6 Macro-economic context December 2022

6.1 Inflation is the dominant consideration in setting the 2023/24 budget. Interest rates are also an important factor both for new City Council borrowing and for investment income. City Council spending and income from sales, fees and charges are likely to be influenced by the general level of economic activity.

6.2 Economic forecasts by the Office of Budget Responsibility are set out in the charts below. The charts demonstrate the considerable negative impacts of the 2022 Autumn mini budget.

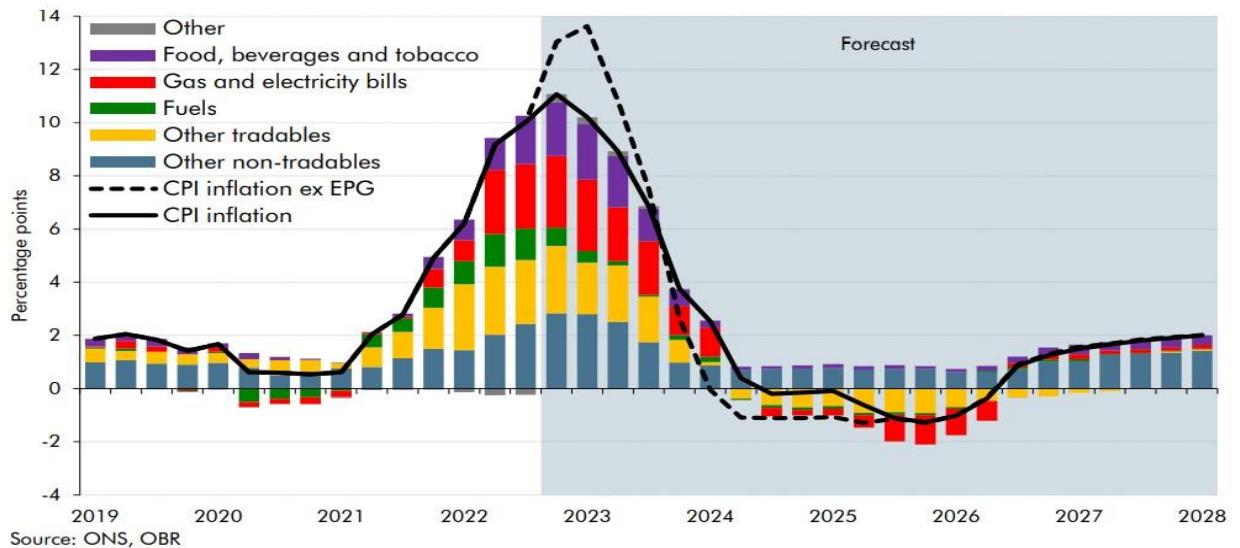
OBR GDP Forecasts Nov 22

Chart 1: Real GDP



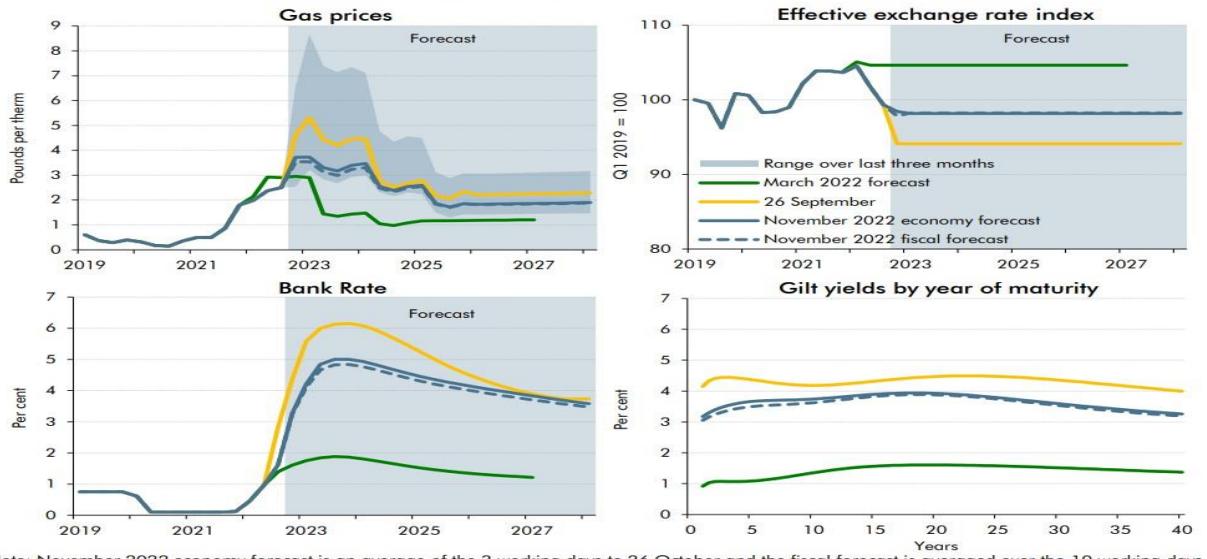
OBR CPI Forecast Nov 22

Chart 4: Contributions to CPI inflation



OBR Gas £ Bank Rate Gilts Nov 22

Chart 3: Gas prices, the exchange rate, Bank Rate and gilt yields



7 The Council's Budget Setting Strategy

7.1 The inflation and supply chain pressures arising from the pandemic were evident by Spring 2022, as well as the risk they might be compounded by the war in Ukraine and disruptions to trade and global oil and gas supplies. With inflation rising by some 11%, we recognised resident spending power would be reduced, impacting our income. And with council tax capped at an increase of 3%, and limited other help from Government, we faced a large and widening budget

gap. An acute cost-of-living crisis for local government made more difficult by short lived Government budget changes and consequential hikes in borrowing costs.

7.2 In these unprecedented circumstances Colchester City Council took immediate action to relieve in year and likely 2023/24 and future year budget pressures. These included:

- **Income generation** – A new model for the mid-year and annual review of fees and charges; a review of commercial activities for Colchester Museums and Castle Park; reviews of possible future year garden waste collection and recycling containers/bags services and possible charges (like many other councils), and a review of and support to the Council's Colchester Commercial Holdings Ltd.
- **Transforming services** – Senior Management Team redesign; a new and more efficient service model for Sport and Leisure and Colchester Museums; a new recycling and waste strategy; a review of non-statutory neighbourhood services; more efficient digital payment, booking and telephone systems; consolidation of some housing services and work with partners to deliver community initiatives with their support.
- **Savings** – Reducing energy costs and customer service centre operating hours, a recruitment freeze for non-essential posts; a reduction in overtime budgets and spend; offering staff temporary reduced working hours and looking for efficiencies and better ways of working, working with staff and partners.

7.3 Three principles guided the Council's approach.

- Long term financial stability must be secured.
- Statutory and other key services that deliver against the Strategic Plan and that residents value most must be preserved, including help to those most at risk from the cost-of-living crisis.
- That the best decisions are made by working with others, with those most affected, including partners and our staff, and with all political parties. This is informed by independent best practice advice, such as from the Local Government Association Peer Challenge.

7.4 The Council has also sought to ensure a closer match between resources and the Council's Strategic Plan, which subject to full Council approval has been adjusted to ensure it is affordable and realisable, whilst addressing the key challenges of our time, including the climate emergency and our environment and quality of life.

7.5 The Council whilst responding to budget pressures recognise it is right to invest where that brings commercial and or social benefits. To include the administration's May 22 priorities of help to those most in need and affected by the cost-of-living crisis, and our environment. To support young people and acknowledge our voluntary sector and to respond to opportunities as they arise, like City status. And to progress master planning for the City Centre working with Essex County Council, to ensure Colchester remains a great place to live work and visit.

7.6 Risk and volatility were addressed throughout the budget setting process by working up three scenarios each with different assumptions, macro-economic and

Council specific, modelling and testing and taking a central case to assumptions set out in Section 8 of this report and in Appendix A.

7.7 The Budget reflects the priorities in the Council's Strategic Plan, **Modern Services for a Modern City** set out elsewhere on this agenda.

- Respond to the climate emergency
- Deliver Modern Services for a Modern City
- Improve health, well-being, and happiness
- Deliver homes for those most in need
- Grow our economy so everyone benefits
- Celebrate our city and our heritage and culture

8 **Pay, Energy and Inflation**

8.1 Employee costs are the biggest element of Council expenditure. In December 2022 the City Council agreed to increase the 2022/23 local pay award by

- Backdating the October 2022 Real Living Wage increase to April 2022.
- Paying all staff on lower grades a minimum £1,925 increase from April 2022

8.2 The 2023/24 Budget provides for the revised 2022/23 pay award and a further 4% increase. This is a total provision for pay inflation of £1,996k.

8.3 The Medium Term Financial Forecast then assumes 3% for increased pay in 2024/25 and 2% in each financial year thereafter.

8.4 The City Council is a large energy user and expects to experience greatly increased costs in 2023/24.

8.5 The 2023/24 Budget provides an additional £1,533k for energy costs in 2023/24.

8.6 There is no additional provision for energy inflation in 24/25 and the budget is expected to reduce in £500k annual steps thereafter.

8.7 £1,004k is provided for other inflation in 23/24.

9 **Provisional 2023/24 Local Government Finance Settlement**

9.1 The Provisional Local Government Finance Settlement was published 19 December 2022. The consultation closed 16 January 2023. [Provisional local government finance settlement: England, 2023 to 2024 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/provisional-local-government-finance-settlement-2023-to-2024)

9.2 The settlement is mainly for 2023/24 financial year only, but there are some commitments into 2024/25 (see below). In particular the Core Spending Power Guarantee is for 2023/24 only. It would not be prudent to assume 2023/24 funding levels will apply in 2024/25.

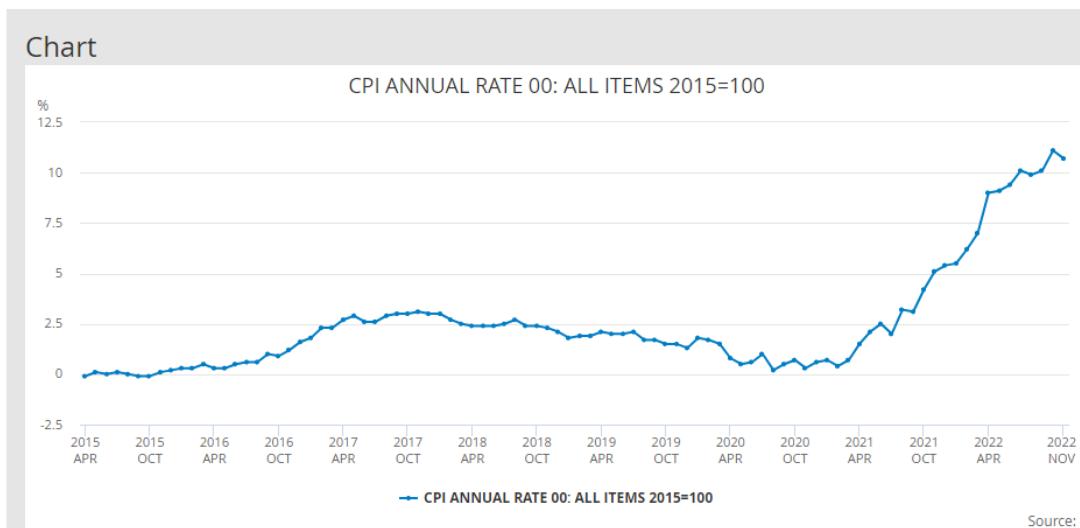
9.3 The provisional settlement guarantees the City Council a 3% increase in Core Spending Power compared to 2022/23. The comparison between the two years is

Item 11 Appendix A

set out in the table. The Core Spending Power 3% guarantee is made with the Consumer Price Index having increased by 10.7% in the year to November 2022. Bank rate was increased to 3.5% from 14 December 2022. The Core Spending Power 3% guarantee only applies to 2023/24, there is no commitment into 2024/25.

Element	2022/23	2023/24
	£ millions	£ millions
Settlement Funding Assessment	4.328	4.693
Compensation for under-indexing the business rates multiplier	0.442	0.765
Council Tax Requirement excluding parish precepts	13.300	13.850
New Homes Bonus	1.954	0.576
Lower Tier Services Grant	0.198	0.000
Services Grant	0.298	0.168
Grants rolled in	0.204	0.000
Funding Guarantee	0.000	1.692
Core Spending Power	20.724	21.744

9.4 The table below shows Core Spending Power changes since 2015-16. These are cash figures. From April 2015 to November 2022 CPI rates in the second table demonstrate the loss of spending power in real terms.



- 9.5 The business rates multiplier is frozen for 2023/24. This will save the City Council around £160k as a business rates payer. The reduction in collection fund income will be compensated by government grants.
- 9.6 The maximum increase without a referendum for the district element of the council tax has been reset. This will be £5 or 3% whichever is the higher (previously £5 or 2% in 2022/23.)
- 9.7 Services Grant allocations have been reduced to reflect the withdrawal of planned increases in employer national insurance contributions. (Was £298k in 2022/23, will be £168k in 2023/24.)
- 9.8 The 2023/24 New Homes Bonus of £576k is a single year settlement with no legacy payments in future years. However New Homes Bonus is part of Core Spending Power guarantee calculations. The City Council has therefore been compensated in 2023/24 for loss of New Homes Bonus compared to 2022/23. It should be noted that the Core Spending Power Guarantee applies to 2023/24 only. It would be imprudent to assume this level of funding is available in 2024/25.
- 9.9 Government has asked local government to look to reserves to meet the funding situation. The City Council is planning to do so, and reserve calculations are set out elsewhere in this report.
- 9.10 Business Rates Pools will continue to operate in 2023/24 and 2024/25. The City Council has already confirmed its membership of the Essex Business Rates Pool.
- 9.11 The long planned national review of relative needs and resources has been deferred until the next Parliament.
- 9.12 In 2024/25 a new funding stream will be available to waste collection authorities. Extended Producer Responsibility for Packaging is a new levy on packaging producers. Around £1.2BN nationally will be redistributed to collection authorities. Government plans to review lower tier funding accordingly; further details are awaited.

10 The City Council's Budget

- 10.1 The City Council's net budget requirement is calculated from the gross cost of services less sales fees and charges and some government grants. The net budget requirement is broadly equivalent to the Council's core spending power.
- 10.2 As described at Section 7 of this report the City Council has continued to take a progressive approach to spending priorities with investment to support to those most in need, whilst pursuing cost reduction, service transformation and efficiencies.
- 10.3 The City Council has allowed £10.028m for cost pressures and growth items in 2023/24. Some of the main items being;
 - Inflation allowance (including fuel and utilities) - £4.533m
 - Waste service - £864k
 - Pension 3-year deficit payment - £836k
 - Minimum Revenue Provision and Interest - £731k
 - March 2022 pension actuarial review - £550k
- 10.4 To help balance its budget, the City Council has made savings of £4.661m for 2023/24, and an additional £3.050m in 2024/25.
- 10.5 To balance the budget taking account of income changes, and savings and cost growth pressures, as above, the City Council has also made an appropriate one-off use of reserves to a value of £1.7m. A full statement on reserves is provided in Appendix G.
- 10.6 Other issues include the City Council's review of its Capital Programme. Pending completion, the 2023/24 budget assumes the funding costs previously agreed in setting the 2022/23 budget. The 2023/24 capital programme and capital strategy will be reported in Q1 of 2023/24.
- 10.7 Provision is being made in the capital programme to provide £400k of grant funding to an Almshouse Charity for redevelopment within Colchester, providing additional units of affordable accommodation. This will make the development financially viable and will fund the additional 6 homes that have been added to this site. For information, current scheme costs for the Charity of this development are predicted to be around £3.3million. The £400k City Council funding will come from the Council's Retained Right-to-buy receipts reserve and therefore will not have any revenue implications on the City Council's capital financing budget.
- 10.8 £1.4m of the core spending power funding guarantee grant for 23/24 provides one-off funding as set out in Appendix D5. It will be used to support and enable transformation and change bringing benefits for the longer term.
- 10.9 The 2023/24 budget and Medium Term Financial Forecast allow for the financing costs of the provisional Capital Programme.
- 10.10 The City Council has reviewed most sales fees and charges and made necessary increases. This is unavoidable given the need to finance essential services.

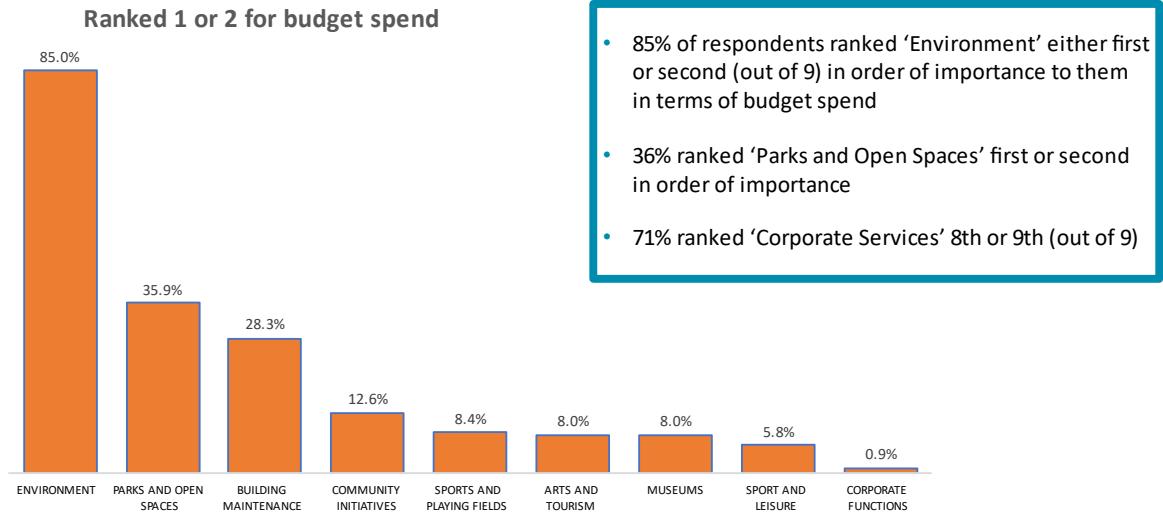
Sales, fees and charges were agreed by November 2022 Cabinet, and will be updated regularly during the financial year ahead

- 10.11 The 2023/24 budget assumes a £6.12 Colchester council tax increase and the Medium Term Financial Forecast assumes the same increase is made in future financial years. This is the maximum permissible increase under referendum rules.
- 10.12 A 99% council tax collection rate is assumed. The approved Local Council Tax Support Scheme is reflected in the council tax base. Growth in the council tax base is assumed to be 1% per annum.
- 10.13 The Medium Term Financial Forecast also assumes £200k of the gain from the Council's membership of the Essex Business Rates Pool.
- 10.14 The Medium Term Financial Forecast and the assumptions used are set out in Appendix A to this report.
- 10.15 To take forward the Budget and Medium Term Financial Forecast a programme of continuing and radical transformation will be required.

11 Medium Term Financial Forecast Consultation

- 11.1 The budget strategy and timetable have ensured that information is available for Scrutiny Panel and input from all Members.
- 11.2 Budget workshops were held on 6 October 2022 and 14 December 2022 so that all members could share in the task of meeting the budget challenge. Budget Alumni meetings were held 20 October 2022 and 6 December 2022.
- 11.3 The Leader of the Opposition is also able at any stage of the budget process to meet with officers to assist with his understanding of the budget and the consideration of any alternative budget proposals.
- 11.4 The statutory consultation with business ratepayers will take place on 21 February 2023. The results of the consultation will be reported to the Scrutiny Panel and the Cabinet.
- 11.5 Other budget consultation on the Strategic Plan is set out in a report elsewhere on this agenda.
- 11.6 The results of external consultation on the City Council's Strategy are summarised in the chart below. These priorities have been reflected in the Council's Budget Strategy and the expenditure on services shown in appendix F.

Budget priorities



12 Risk Management Implications

- 12.1 The 2023-24 Budget reflects current assumptions but will be subject to rigorous monitoring during the 2024-24 financial year.
- 12.2 Modelling has been undertaken with service managers to assess the potential range of impacts before adopting the assumptions described within the report.

13 Financial implications

- 13.1 As set out in the report.
- 13.2 No changes are necessary to the 2020 Financial Regulations.

14 Climate Emergency and Environment

- 14.1 All budget measures are assessed for their likely environmental impact, reflecting the Council's commitment to be 'carbon neutral' by 2030. Environment and Climate Change is an essential cross-cutting theme in the Council's recovery planning and a core theme of the new Strategic Plan.

15 Equality and Diversity Implications

- 15.1 Consideration will be given to equality and diversity issues in respect of budget changes proposed as part of the budget process. This will be done in line with agreed policies and procedures including production of Equality Impact Assessments where appropriate.

16 Other Standard References

- 16.1 There are no direct Publicity, Human Rights, Community Safety or Health and Safety implications as a result of this report.

Appendices

A	2023-28 Medium Term Financial Forecast and Assumptions
B	Budget Robustness Statement
C	Treasury Management Strategy Statement
D	Technical reconciliations of budget requirement 2023/24
E	Summary Budget 2023/24
F	2023/24 General Fund Budgets
G	Reserves, Provisions and Balances
H	Allocation of New Homes Bonus
J	Transformation Savings

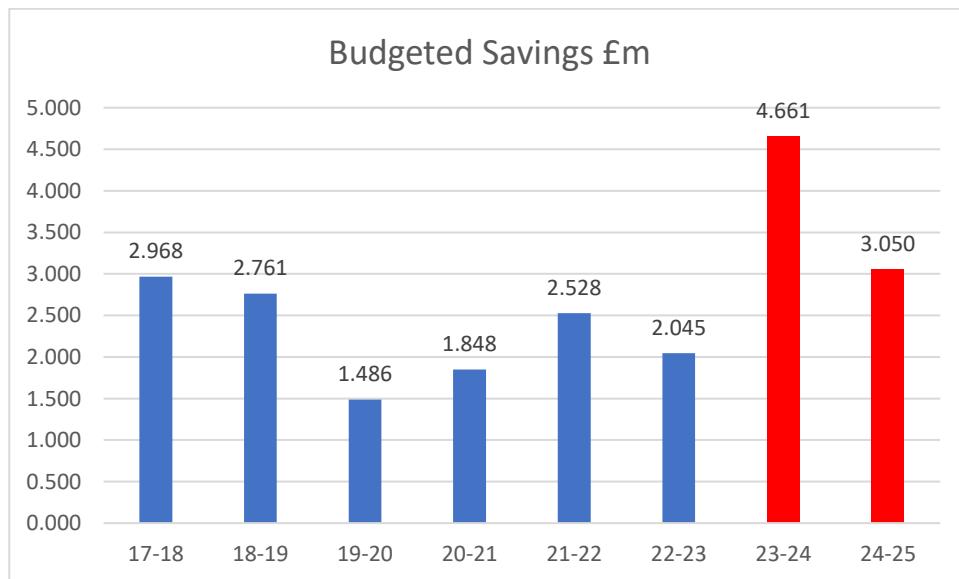
Appendix A – 2023-28 Medium Term Financial Forecast and Assumptions

2023/24 Budget and Medium Term Financial Forecast	23/24	24/25	25/26	26/27	27/28
	£'000	£'000	£'000	£'000	£'000
Previous year's budget	21,875	25,285	21,958	21,432	22,332
One-off Items	(1,179)	(836)	0	0	0
Cost pressures and growth items	9,297	400	200	1,400	1,550
Capital financing	731	385	(276)	(300)	(303)
Income losses	0	(200)	(200)	(200)	0
Savings	(4,661)	(3,050)	(250)	0	0
Use of new homes bonus for one-off investment	(778)	(26)	0	0	0
Current year's budget	25,285	21,958	21,432	22,332	23,579
Business rates	(6,456)	(6,003)	(5,550)	(5,098)	(4,646)
Government Grant	(1,860)	0	0	0	0
New Homes Bonus	(576)	(550)	(550)	(550)	(550)
Council Tax	(13,936)	(14,483)	(15,039)	(15,604)	(16,182)
Previously planned use of reserves	(757)	79	79	79	279
One-off use of reserves	(1,700)	(200)	(200)	0	0
Budget Gap Cumulative	0	801	172	1,159	2,480

Medium Term Financial Forecast Assumptions	23/24	24/25	25/26	26/27	27/28
Council Tax collection	99%	99%	99%	99%	99%
Growth in council tax base	1.0%	1.0%	1.0%	1.0%	1.0%
District council tax increase	£6.12	£6.12	£6.12	£6.12	£6.12

Appendix B – Budget Robustness Statement

- 1 In 2022/23 the City Council is expected to overspend the approved budget by a net £392k. The main factors in the overspend are
 - overspending in the Environment Service
 - reflects increased interest earning on City Council investments.
- 2 A decision was subsequently made in December 2022 to increase the previously agreed pay award (£700k)
- 3 The City Council will need to monitor 2023/24 spending diligently and take prompt management action to avoid overspends. Medium Term Financial Forecasts assume the planned budget in 2023/24 is delivered. Particular attention will need to be given to:
 - The delivery of new savings within agreed timescales
 - More effective monitoring of dividends and other income from Council companies
- 4 The value of new savings planned for 2023/24 and 2024/25 is higher than the level of savings achieved in recent financial years (see red bars on the below chart). Whilst the Council is making every effort to transform its services to achieve a balanced and sustainable budget in the longer term the planned level of savings is a very demanding target. The delivery of planned savings will therefore need to be monitored quarterly with immediate effect. Any significant adverse variation from savings plans will necessitate corrective action if the City Council is to deliver these high value savings targets.



- 5 The Council's capital programme is currently under review. The Medium Term Financial Forecast budgets for minimum revenue provision and net general fund interest are those of 2022/23 budget setting. Any additional borrowing commitments following the capital programme review will require to be fully funded.
- 6 The development of Colchester Northern Gateway is a major undertaking bearing significant financial risks. Given economic and business changes following Covid

ongoing financial appraisal of the project is being undertaken to ensure the risks and rewards remain appropriate given the size of the Council's net budget.

- 7 The Council will need to carefully monitor the impact of inflation during 2023/24 in both pay and other areas.
- 8 The Council's existing borrowing is largely in long maturity borrowing at fixed rates. New borrowing in 2023/24 and 2024/25 will likely be at higher rates than experienced for some years. Increasing short term interest rates may lead to additional investment income. Given heightened levels of interest rate risk the Council will monitor its Treasury activity and prudential indicators more frequently (quarterly) from 2023/24 onwards.
- 9 The Council has a good record of delivering agreed savings. The 2023/24 savings proposals were developed by the Transformation Board and assessed by the Finance Business Partners.
- 10 The Council has in place revenue and capital monitoring processes enabling it to take corrective action in the event of unexpected budget variations. The Council has demonstrated sound finance and performance monitoring processes in past financial years. Recent and forthcoming changes to senior management roles have necessitated a restatement of budget responsibilities. The S151 Officer and the Chief Executive must monitor that these new budget requirements are being fulfilled.
- 11 The Council is relying on £1.700m use of balances to deliver its core services in 2023/24. Given the exceptional situation locally and nationally this is appropriate.
- 12 The budget process allows for the review of budget proposals by the Scrutiny Panel and this has applied to the 2023/24 proposals.
- 13 The Council's use of resources judgment by BDO in the 2019/20 audit was satisfactory, following an assessment of the Council's approach. The 2020/21 use of resources judgment is not available due to external audit delays
- 14 There is an effective risk management process in place in the Council.
- 15 The 2023/24 Provisional Local Government Finance Settlement was more favourable than expected. However, there are significant financial risks for 2024/25 onwards as 2023/24 was a one-year settlement. The level of savings committed into 2024/25 demonstrates the City Council is essential to offset potential government funding losses in that financial year. Losses are likely to include the removal of the Core Spending Power guarantee, and this is reflected in the Medium Term Financial Forecast.
- 16 The Chartered Institute of Public Finance and Accountancy resilience index has yet to be updated.
- 17 In order to maintain financial planning, monitoring and accounting at a robust level given all the risks and changes outlined above, the Finance resource and capacity within the City Council needs to be maintained and any additional accounting requirements appropriately resourced. An additional capital accounting business

partner has been added and recruited to in 2022/23, and two long vacant Finance Specialist posts were also filled. The staffing position in Finance needs to be carefully monitored in 2023/24 for the impact of any vacancies and any new and additional accounting requirements.

- 18 It appears therefore that the 2023/24 budget and Medium Term Financial Forecast are robust and the reserves and balances adequate as set out in the succeeding tables. However, the impact of pay, energy costs and interest rates will require careful monitoring in 2023/24 in order to identify and manage down any financial risks.

Appendix C

Treasury Management Strategy Statement Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2023/24

1 Introduction

- 1.1 Statement includes the Minimum Revenue Provision Policy Statement and Annual Investment Strategy.
- 1.2 The City Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Treasury management ensures 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 City Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 1.3 The second main function of treasury management is funding the City Council's Capital Programme. These capital plans provide a guide to the borrowing need of the City Council. This longer-term cash flow planning ensures that the City Council can meet its capital spending obligations. The 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 existing debt may be restructured to manage City Council risks and costs.
- 1.4 The contribution that treasury management makes to the City Council 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. Treasury management balances the interest costs of debt and the investment income arising from cash deposits. Since cash balances primarily result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will result in a loss to the General Fund.
- 1.5 Loans to third parties will impact on the treasury function. These activities are classed as non-treasury activities arising from capital expenditure and are separate from day-to-day treasury management activities.
- 1.6 The Chartered Institute of Public Finance and Accountancy Code defines treasury management as:

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

1.7 Local authorities are required to adopt a Capital Strategy to provide focus on long term capital investment plans. The Council's capital programme is currently under review. The Capital Strategy for 2023-24 will be reported in Q1 of 2023-24. Transparent reporting for non-treasury investments including loans to third parties and the purchase of investment properties or commercial activity is required under the Localism Act 2011.

Reporting requirements

1.8 Following the adoption of the Treasury Management Strategy Statement by Budget Council, Governance and Audit Committee will receive quarterly updates and an outturn report.

Prudential and Treasury Indicators and Treasury Strategy

1.9 The 2023/24 Treasury Management Strategy Statement is recommended to Budget Council by 25 January 2023 Cabinet. The 24 January 2023 Scrutiny Panel also considers the recommended strategy as part of its review of the Budget. The Treasury Management Strategy Statement covers:

- Capital plans (including prudential indicators)
- Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time)
- Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators
- Investment strategy (the parameters within which investments are to be managed).

1.10 Quarterly Treasury Management reports to Governance and Audit Committee update on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

1.11 The annual Treasury Report after the financial year end to Governance and Audit Committee reports actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Training

1.12 The Chartered Institute of Public Finance and Accountancy Code requires the Head of Finance and Section 151 Officer to ensure that Members with responsibility for treasury management or scrutiny receive adequate training in treasury management. Training is provided in one or more presentations to members by the City Council's Treasury Advisers Link Asset Management. Training for councillors will take place on 30 January 2023. Training dates for 2023/24 will be notified when the Municipal Calendar is set. The training needs of treasury management officers are periodically reviewed.

Treasury Management Strategy for 2023/24

1.13 The Treasury Management Strategy for 2023/24 covers two main areas:

Content of Treasury Management Strategy	
Capital	<p>Prudential Code prudential indicators</p> <ul style="list-style-type: none"> • Estimates of Capital Expenditure (2.2) • Actual Capital Expenditure (2.2) • Estimates of Capital Financing Requirement (2.5) • Actual Capital Financing Requirement (2.5) • Authorised Limit (5.7) • Operational Boundary (5.5) • Actual external debt (5.7) • Gross debt and capital financing requirement (5.4) • Financing costs as a % of net revenue stream (3.8) • Estimates of net income from commercial and service investments as a % of net revenue stream (3.9) • Actual net income from commercial and service investments as a % of net revenue stream (3.9)
	<p>Treasury Management Code prudential indicators</p> <ul style="list-style-type: none"> • Liability Benchmark (2.6) • Maturity Structure of Borrowing (5.12) • Long-term treasury management investments (the City Council has none.) <p>Treasury Management Code locally determined prudential indicators</p> <ul style="list-style-type: none"> • Interest Rate exposures (5.11 to 5.15) • Credit Risk (See 6 for Annual Investment Strategy) • Price Risk (See 6 for Annual Investment Strategy)
	minimum revenue provision policy
Treasury management	<p>current treasury position</p> <p>treasury indicators which limit the treasury risk and activities of the Council</p> <p>prospects for interest rates</p> <p>borrowing strategy</p> <p>policy on borrowing in advance of need</p> <p>debt rescheduling</p> <p>investment strategy</p> <p>creditworthiness policy</p> <p>policy on use of external service providers</p>

1.14 These elements cover the requirements of the Local Government Act 2003; The Chartered Institute of Public Finance and Accountancy Prudential Code; The Department of Levelling-Up Minimum Revenue Provision Guidance; The Chartered Institute of Public Finance and Accountancy Code Treasury Management Code; and Department of Levelling-Up, Housing and Communities Investment Guidance.

Treasury management consultants

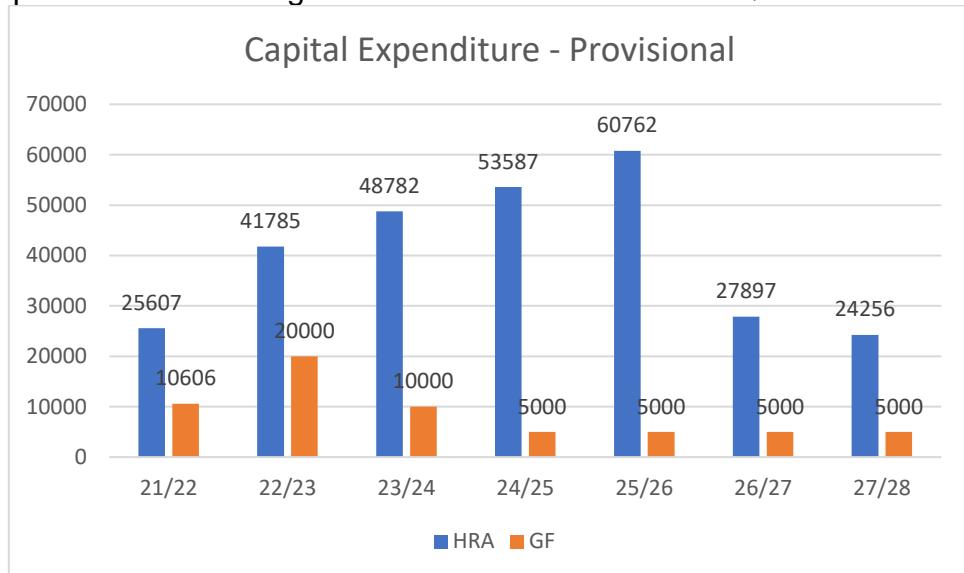
- 1.15 The City Council uses Link Asset Services as its external treasury management advisors.
- 1.16 Responsibility for treasury management decisions remains with the Council and undue reliance is not placed upon external advisors. Decisions use available information including external advice.

2 The Capital Prudential Indicators 2021/22 – 2027/28

- 2.1 The City Council's capital expenditure plans are the key driver of treasury. The output of the capital expenditure plan is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital expenditure

- 2.2 This prudential Indicator is a summary of the City Council's capital expenditure plans. Given the current review of the City Council's capital programme the figures are provisional. Final figures will be added in 2023-24 Quarter 1 monitoring.

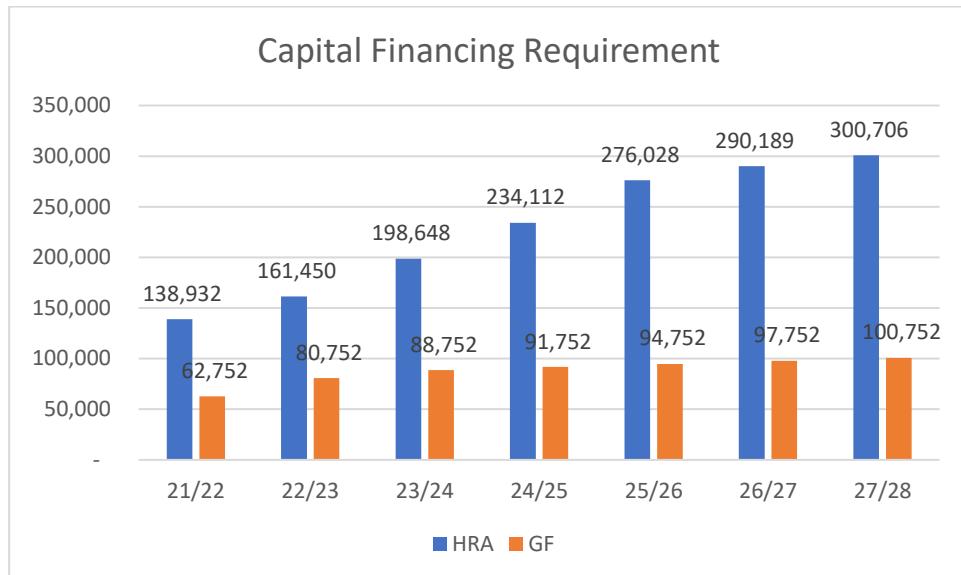


The Council's Borrowing Need (The Capital Financing Requirement)

- 2.3 The second prudential indicator is the City Council's Capital Financing Requirement. The Capital Financing Requirement is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the City Council's indebtedness and so of its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the Capital Financing Requirement.
- 2.4 The Capital Financing Requirement decreases by the annual minimum provision made. Minimum revenue provision is the statutory annual revenue charge that

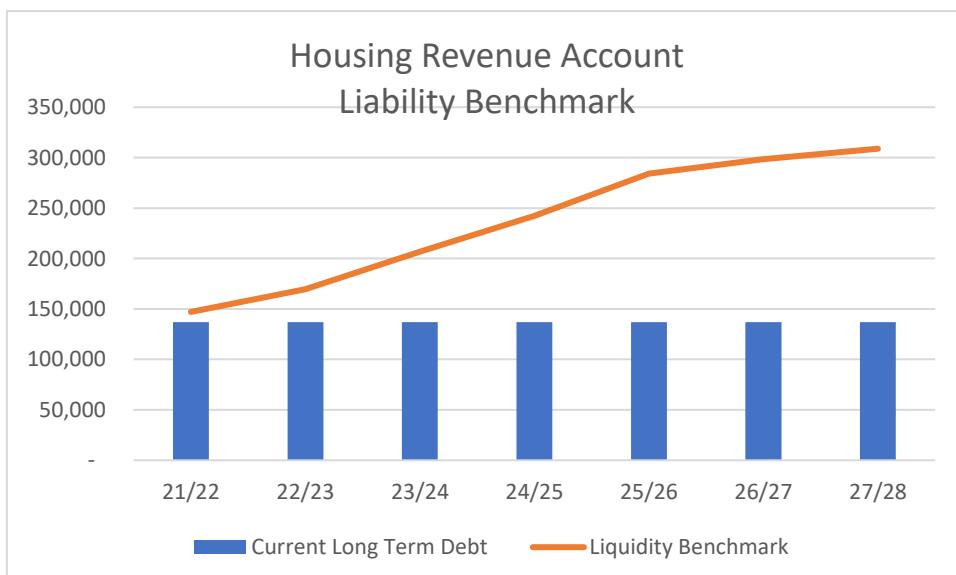
reduces indebtedness over each asset's life. Minimum revenue provision charges reflect the economic consumption of capital assets as they are used.

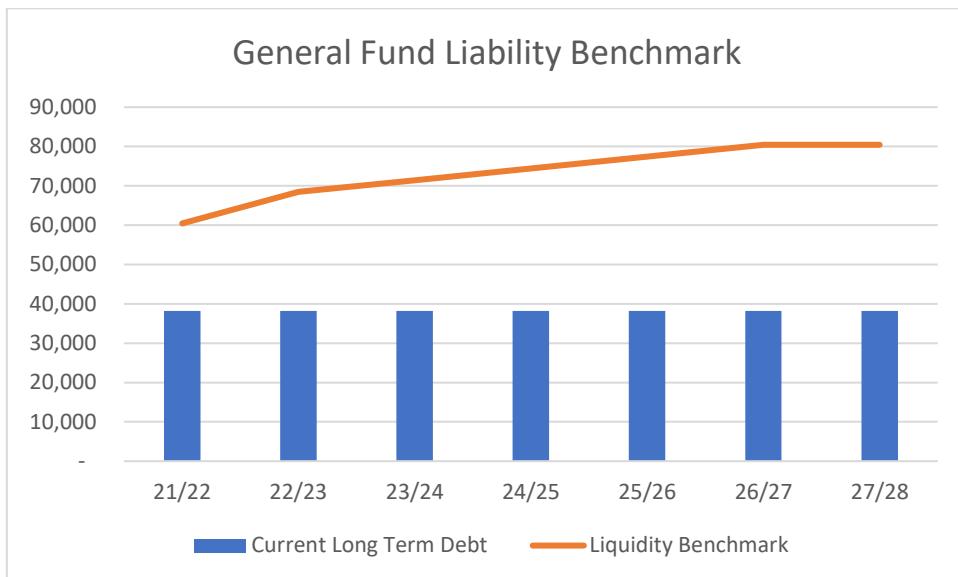
2.5 The Capital Financing Requirement includes some long-term liabilities other than borrowing (for example finance leases). Whilst these increase the Capital Financing Requirement, and therefore the City Council's borrowing requirement, these types of schemes include a borrowing facility by the lease provider and so the Council is not required to separately borrow for these schemes.



The Liability Benchmark

2.6 This is a new prudential indicator for 2023/24. It compares the Council's debt profile with assessed liquidity requirements. Current long-term debt is constant due to the long maturity profile of current debt. The liquidity benchmark reflects the increasing capital financing requirement and a £10m liquidity allowance. The benchmark demonstrates that the City Council will need to borrow in future years.





3 Minimum Revenue Provision Policy Statement

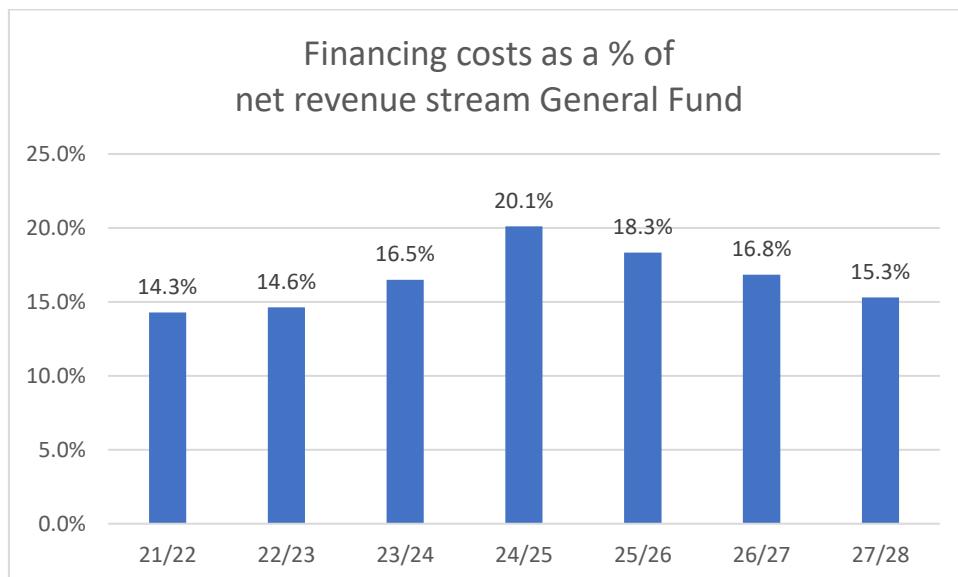
- 3.1 The City Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision), although it is also allowed to undertake additional voluntary payments if required.
- 3.2 Government regulations require the full Council to approve a Minimum Revenue Provision Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The City Council is recommended to approve the following Minimum Revenue Provision Statement. This is unchanged from 2022/23.
- 3.3 For capital expenditure incurred before 1 April 2008 and subsequent Supported Capital Expenditure, the policy will allow for the borrowing need to be repaid on an equal instalment basis over a period of 50 years. (Supported capital expenditure is a legacy issue and no new approvals are issued under the prudential finance system that has applied since 2003.)
- 3.4 From all prudential borrowing (including finance leases) the Minimum Revenue Provision policy will be calculated by the Asset Life Method. Minimum Revenue Provision will be based on the estimated life of the assets, in accordance with City Council accounting policies and Government regulations. This provides for a uniform reduction in the City Council's borrowing need over the asset's life. Repayments under finance leases are applied as Minimum Revenue Provision.
- 3.5 There is no requirement in the Housing Revenue Account to make minimum revenue provision but there is a requirement for a charge for depreciation to be made.
- 3.6 The Head of Finance in liaison with the Portfolio Holder for Resources will keep the Council's Minimum Revenue Provision Policy under review to ensure that it remains fit for purpose in relation to City Council borrowing requirements.

Affordability Prudential Indicators

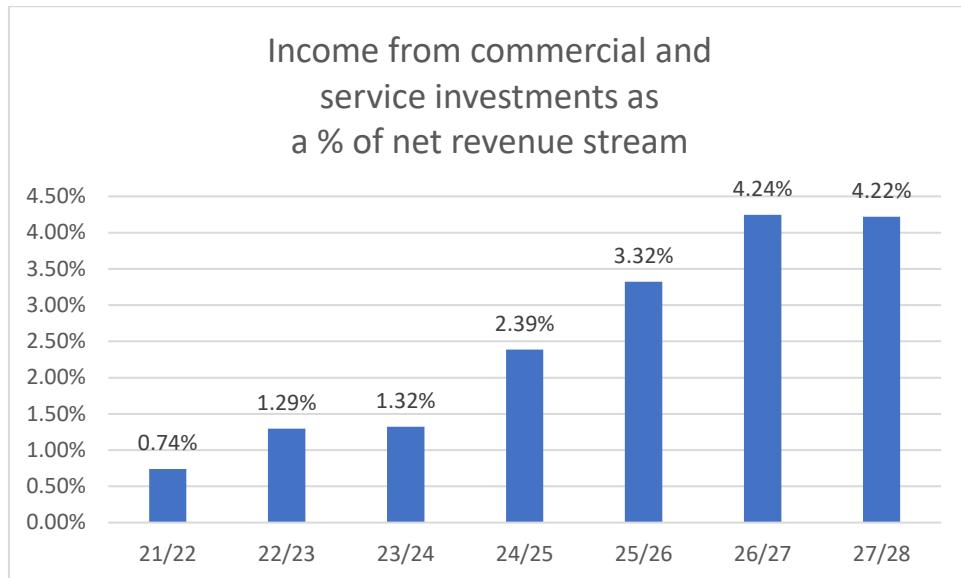
3.7 The previous sections of this report cover the overall capital, and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability to the general fund of the capital investment plans. These provide an indication of the impact of the capital investment plans on the City Council's overall finances.

The ratio of financing costs to net revenue stream is an affordability indicator. This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the City Council's net revenue stream. The affordability is based on current Medium Term Financial Forecast budgets and will be recalculated following the capital programme review.

3.8



3.9 A further prudential indicator is the net income from commercial and service investments as a % of net revenue stream. The Council has an investment of £1.5m in Colchester Amphora Housing Ltd, and £80k in Colchester Amphora Energy Limited. Based on 2023-24 Budget and Medium Term Financial Forecast dividend forecasts the income stream as a proportion of the net revenue stream is set out in the table below.



4 Economic Outlook provided by Link Asset Services

- 4.1 The Council has appointed Link Asset Services as its treasury advisor and part of the service is to assist the Council to formulate a view on interest rates. This section of the Strategy is provided by Link.

Economic Summary UK

- The Bank of England voted by a majority of 6-3 to raise interest rates by 50 basis points to 3.5 percent during its December meeting, pushing the cost of borrowing to the highest level since late-2008, as policymakers try to contain inflation amid fears of a looming economic recession. Two MPC members preferred to maintain rates unchanged, and one member preferred to increase them by 75 bps, to 3.75 percent.
- In the MPC's November Monetary Policy Report projections, conditioned on the elevated path of market interest rates at that time, the UK economy was expected to be in recession for a prolonged period and CPI inflation was expected to remain very high in the near term. Inflation was expected to fall sharply from mid-2023, to some way below the 2% target in years two and three of the projection. This reflected a negative contribution from energy prices, as well as the emergence of an increasing degree of economic slack and a steadily rising unemployment rate. The risks around that declining path for inflation were judged to be to the upside.
- The British economy expanded 2.4% year-on-year in the third quarter of 2022, the lowest reading since the contraction in Q1 2021, but slightly above market expectations of 2.1%, preliminary estimates showed. On a monthly basis, the British economy expanded 0.5% in October from September of 2022, the biggest increase in nearly a year and above forecasts of 0.4%. The British economy grew 1.5% year-on-year in October of 2022, slightly above market forecasts of 1.4%, and following a 1.3% rise in September. The British economy shrank 0.3% in the three months to October of 2022, the biggest drop since early 2021, but slightly less than market forecasts of a 0.4% fall.
- The S&P Global/CIPS United Kingdom Composite PMI rose to 49.0 in December 2022, up from 48.2 in the previous month and above market expectations of 48.2, a preliminary estimate showed.
- The annual inflation rate in the UK eased to 10.7% in November of 2022 from 11.1% in October which was the highest since October 1981. Figures came below market forecasts of 10.9%, with the largest downward contribution made by transport (7.2% vs 8.9%), particularly motor fuels (17.2% vs 22.2%) and second-hand cars (-5.8% vs -2.7%). Prices also slowed for clothing and footwear (7.5% vs 8.5%), recreation and culture (5.3% vs 5.9%), and communication (2.6% vs 3.2%). Food inflation meanwhile, edged higher to 16.5% from 16.4%, hitting the strongest since 1977, led by the cost of bread and cereals.
- The number of people in work in the UK fell by 52,000 in the three months to September, more than twice the market forecast of a 25,000 drop and following a 109,000 decline in the previous month. The unemployment rate in the UK edged higher to 3.7% in the three months to October of 2022 from 3.6% in the previous period, matching market forecasts. The number of people claiming for unemployment benefits in the UK rose by 30,500 in November of 2022, the biggest increase since February last year.
- Average weekly earnings including bonuses in the UK increased by 6.1% y/y to £624 in the three months to October of 2022, above a 6.0% gain in the three months to September but below market forecasts of 6.2%. Regular pay which excludes bonus payment also went up 6.1%, the most since July 2021, exceeding forecasts of 5.9% and after an upwardly revised figure of 5.8% in the previous period.

Economic Summary US, Europe & China

- The US economy unexpectedly added 263K jobs in November of 2022, beating market forecasts of 200K, and following an upwardly revised 284K in October. It is the lowest job gain since April last year, as the labour market is normalizing after the pandemic shock.. The unemployment rate in the US was unchanged at 3.7 percent in November 2022, matching market expectations and remaining close to September's 29-month low of 3.5 percent. The US economy contracted an annualised 0.6% q/q in Q2 2022, matching the second estimate, and confirming the economy technically in a recession, following a 1.6% drop in Q1. The S&P Global US Composite PMI fell to 44.6 in December 2022 from 46.4 in the previous month, signalling the joint-fastest decline in business activity for over two-and-a-half years, a preliminary estimate showed.
- The Federal Reserve raised the fed funds rate by 50bps to 4.25%-4.5% during its last monetary policy meeting of 2022, pushing borrowing costs to the highest level since 2007, and in line with market expectations. It was a seventh consecutive rate hike, following four straight three-quarter point increases. Policymakers reinforced that ongoing hikes in the target range will be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2%. The Fed now expects interest rates to reach 5.1% next year, 4.1% in 2024, and 3.1% in 2025, a higher level than previously indicated.
- The S&P Global Eurozone Composite PMI increased to 48.8 in December of 2022 from 47.8 in November, beating market forecasts of 48, preliminary estimates showed. The **Eurozone** quarterly economic growth was revised slightly higher to 0.3% in the third quarter from preliminary estimates of 0.2%, and following a 0.8% expansion in the previous three-month period. Annual inflation rate in the Euro Area eased to 10% in November of 2022 from a record high of 10.6% in October, beating market forecasts of 10.4%, preliminary estimates showed. The inflation slowed for the first time since June last year, which could offer some early signs that price pressures have peaked. Annual core inflation rate in the Euro Area was steady at a record high level of 5% in November of 2022, in line with forecasts, preliminary estimates showed.
- The ECB raised interest rates by 50 bps during its last monetary policy meeting of 2022, marking a fourth rate increase, following two consecutive 75bps hikes. That takes the deposit facility to 2%, the refinancing rate to 2.5% and the marginal lending to 2.75%, a level not seen in fourteen years. Policymakers also said rates are expected to rise further due to a substantial upward revision to the inflation outlook.
- The **Chinese economy** expanded a seasonally adjusted 3.9% q/q in the three months to September, beating market forecasts of 3.5% and shifting from a revised 2.7% contraction in the previous quarter. This was the strongest quarterly pace of growth since the second quarter of 2020, buoyed by a series of policies and stimulus from Beijing to revive economic activity.
- The Caixin China General Composite PMI fell to 47.0 in November from 48.5 in October, pointing to the lowest print since May whilst the Chinese economy was bracing for a third wave of COVID infections. The official NBS Manufacturing PMI declined to 48.0 in November 2022 from 49.2, below market forecasts of 49.0. This was the second straight month of contraction in factory activity and the steepest pace since April, amid a new wave of COVID cases and tough restrictions in some large cities. The official NBS Non-Manufacturing PMI for China dropped to 46.7 in November 2022 from 48.7 a month earlier, due to the same COVID related issues.

Current Market Movers

Equity Markets & Oil Prices



Market Expectations on near-term UK Bank Rate Change (in basis points)



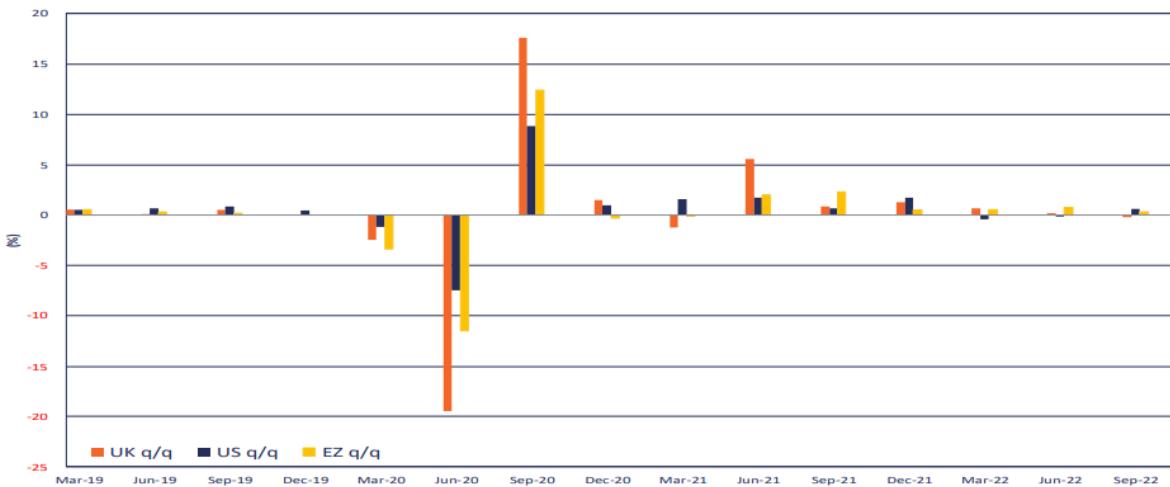
Source: Reuters Eikon

*MD0 = Change in Bank Rate expected at MPC meeting to be held February 2023, MD1 = Mar-23, MD2 = May-23, MD3 = Jun-23, MD4 = Aug-23, MD5 = Sep-23, MD6 = Nov-23

- Major stock market indices and oil prices initially traded sharply lower at the outbreak of the coronavirus pandemic. However, both subsequently rebounded strongly, partly reflecting the initial success of the roll-out of vaccination programmes. More recently, however, equity markets have been negatively impacted by the fall-out from the Russian invasion of Ukraine. Concerns have focussed on supply side shocks in respect of oil, gas, wheat and other mainstream commodities, whilst global economic growth may also slow significantly.
- The Bank of England voted by a majority of 6-3 to raise interest rates by 50 basis points to 3.5 percent during its December meeting, pushing the cost of borrowing to the highest level since late-2008, as policymakers try to contain inflation amid fears of a looming economic recession. Two MPC members preferred to maintain rates unchanged, and one member preferred to increase them by 75 bps, to 3.75 percent. Officials noted that the labour market remained tight and inflation and wage growth were still high, which justified a forceful policy response.

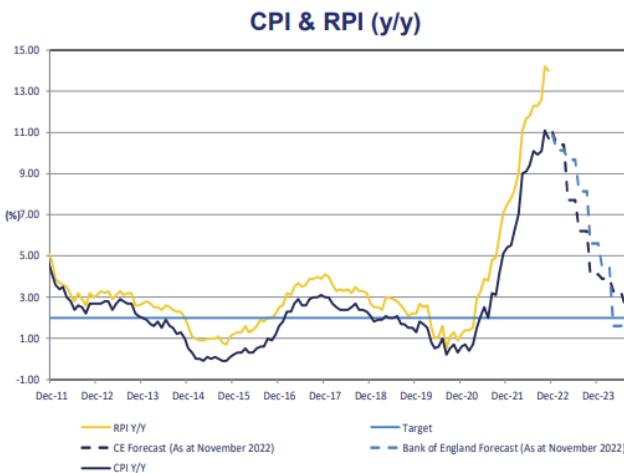
GDP Growth

UK, US and EZ GDP Growth

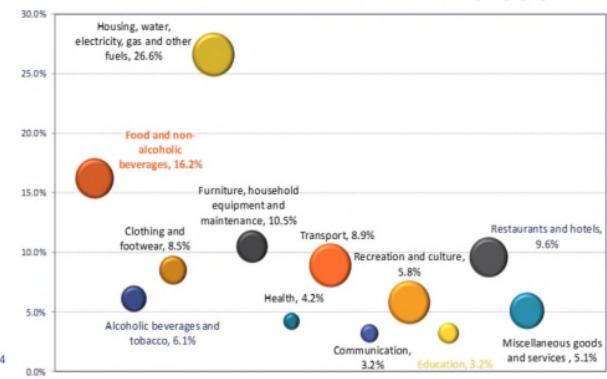


- The UK economy shrank 0.2% q/q in Q3, the first contraction in one and a half years but less than market forecasts of a 0.5% drop, preliminary estimates showed.
- The US economy grew an annualised 2.6% q/q in Q3 2022, exceeding forecasts of a 2.4% rise and rebounding from a contraction in the first half of the year.
- The Eurozone quarterly economic growth was revised slightly higher to 0.3% in the third quarter from preliminary estimates of 0.2%, and following a 0.8% expansion in the previous three-month period.

UK Inflation



UK CPI Breakdown – October (%) y/y



- The annual inflation rate in the UK eased to 10.7% in November of 2022 from 11.1% in October which was the highest since October 1981. Figures came below market forecasts of 10.9%, with the largest downward contribution made by transport (7.2% vs 8.9%), particularly motor fuels (17.2% vs 22.2%) and second-hand cars (-5.8% vs -2.7%). Prices also slowed for clothing and footwear (7.5% vs 8.5%), recreation and culture (5.3% vs 5.9%), and communication (2.6% vs 3.2%). Prices in restaurants and hotels rose at a record 10.2% (vs 9.6%), mainly pushed by alcohol served in restaurants, cafes and pubs. Food inflation meanwhile, edged higher to 16.5% from 16.4%, hitting the strongest since 1977, led by the cost of bread and cereals.
- The Bank of England voted by a majority of 6-3 to raise interest rates by 50 basis points to 3.5 percent during its December meeting, pushing the cost of borrowing to the highest level since late-2008, as policymakers try to contain inflation amid fears of a looming economic recession. Two MPC members preferred to maintain rates unchanged, and one member preferred to increase them by 75 bps, to 3.75 percent. Officials noted that the labour market remained tight and inflation and wage growth were still high, which justified a forceful policy response.

7

CPI Inflation v UK Wage Growth

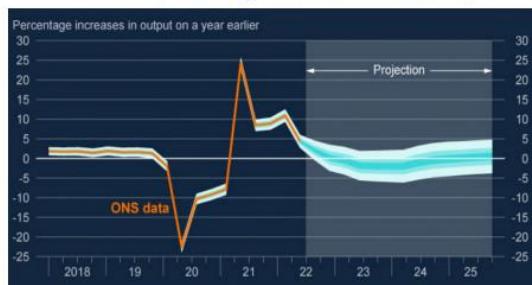


- Average weekly earnings including bonuses in the UK increased by 6.1% year-on-year to £624 in the three months to October of 2022, above a 6.0% gain in the three months to September but below market forecasts of 6.2%. Regular pay which excludes bonus payment also went up 6.1%, the most since July 2021, exceeding forecasts of 5.9% and after an upwardly revised figure of 5.8% in the previous period.
- Earnings growth was previously boosted by the effect of lower paid workers losing their jobs during the pandemic and the impact of the furlough scheme.
- The annual inflation rate in the UK eased to 10.7% in November of 2022 from 11.1% in October which was the highest since October 1981. Figures came below market forecasts of 10.9%, with the largest downward contribution made by transport (7.2% vs 8.9%), particularly motor fuels (17.2% vs 22.2%) and second-hand cars (-5.8% vs -2.7%). Prices also slowed for clothing and footwear (7.5% vs 8.5%), recreation and culture (5.3% vs 5.9%), and communication (2.6% vs 3.2%). Food inflation meanwhile, edged higher to 16.5% from 16.4%, hitting the strongest since 1977, led by the cost of bread and cereals.

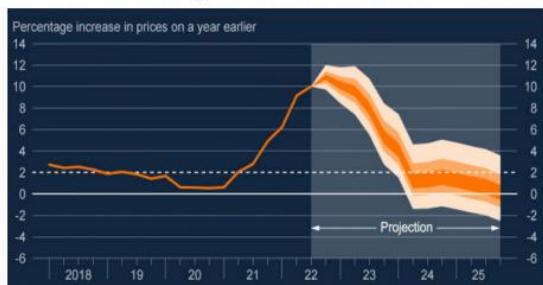
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Bank of England Forecast

Bank of England GDP Forecast



Bank of England Inflation Forecast

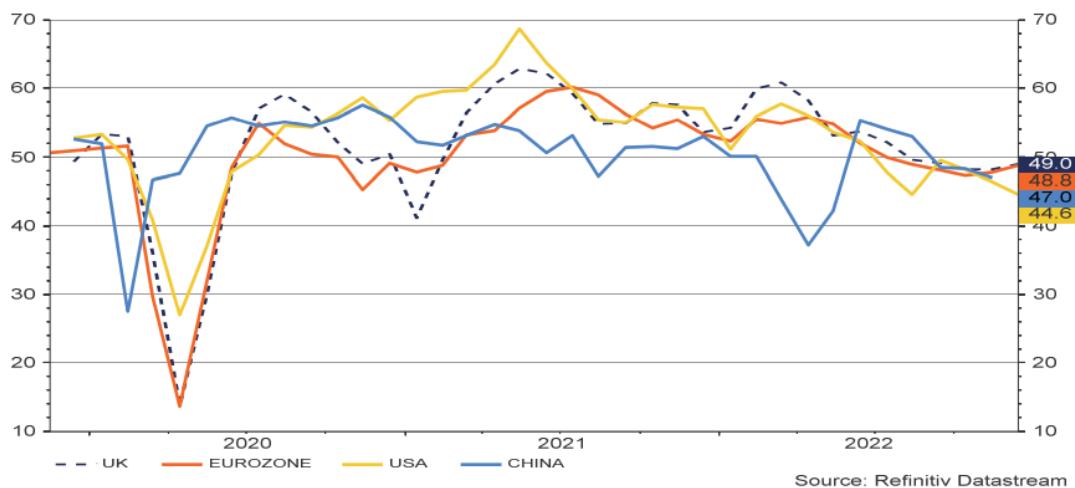


	2022 Q4	2023 Q4	2024 Q4	2025 Q4
GDP (c)	0.2 (0.1)	-1.9 (-1.2)	-0.1 (0.1)	0.7
CPI inflation (d)	10.9 (13.1)	5.2 (5.5)	1.4 (1.4)	0.0
LFS unemployment rate	3.7 (3.7)	4.9 (4.7)	5.9 (5.7)	6.4
Excess supply/Excess demand (e)	½ (-½)	-2½ (-2½)	-3 (-3½)	-3
Bank Rate (f)	3.0 (2.4)	5.2 (2.9)	4.7 (2.4)	4.4

The Bank of England voted by a majority of 6-3 to raise interest rates by 50 basis points to 3.5 percent during its December meeting, pushing the cost of borrowing to the highest level since late-2008, as policymakers try to contain inflation amid fears of a looming economic recession. Two MPC members preferred to maintain rates unchanged, and one member preferred to increase them by 75 bps, to 3.75 percent.

In the MPC's November Monetary Policy Report projections, conditioned on the elevated path of market interest rates at that time, the UK economy was expected to be in recession for a prolonged period and CPI inflation was expected to remain very high in the near term. Inflation was expected to fall sharply from mid-2023, to some way below the 2% target in years two and three of the projection. This reflected a negative contribution from energy prices, as well as the emergence of an increasing degree of economic slack and a steadily rising unemployment rate. The risks around that declining path for inflation were judged to be to the upside.

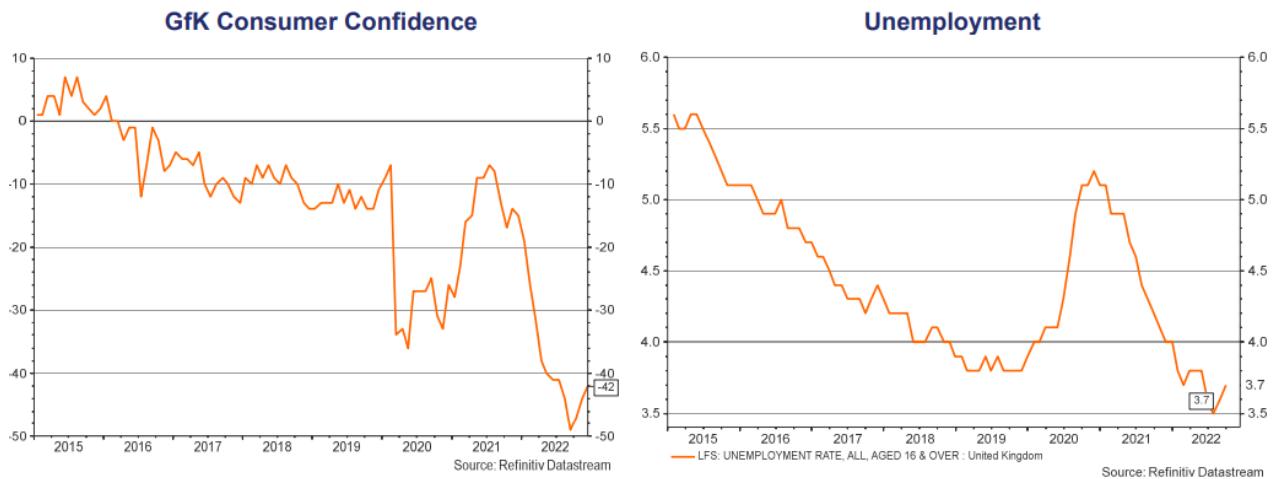
UK, EZ, USA & China Composite PMI



Source: Refinitiv Datastream

- The S&P Global/CIPS United Kingdom Composite PMI rose to 49.0 in December 2022, up from 48.2 in the previous month and above market expectations of 48.2, a preliminary estimate showed.
- The S&P Global Eurozone Composite PMI increased to 48.8 in December of 2022 from 47.8 in November, beating market forecasts of 48, preliminary estimates showed.
- The S&P Global US Composite PMI fell to 44.6 in December 2022 from 46.4 in the previous month, signaling the joint-fastest decline in business activity for over two-and-a-half years, a preliminary estimate showed.
- The Caixin China General Composite PMI fell to 47.0 in November from 48.5 in October, pointing to the lowest print since May whilst the Chinese economy was bracing for a third wave of COVID infections.

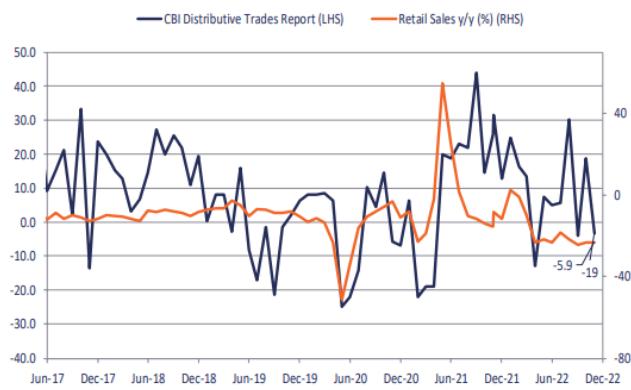
UK Employment and Consumer Confidence



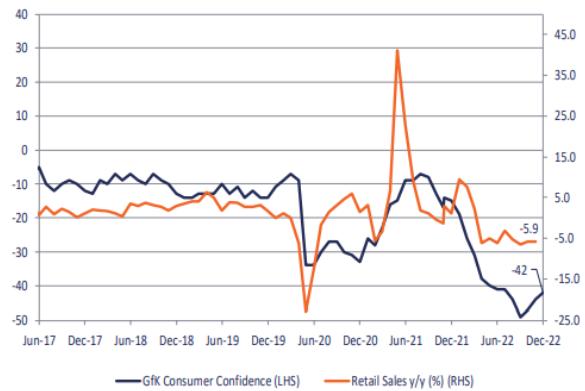
- The unemployment rate in the UK edged higher to 3.7% in the three months to October of 2022 from 3.6% in the previous period, matching market forecasts. Average weekly earnings including bonuses in the UK increased by 6.1% year-on-year to £624 in the three months to October of 2022, above a 6.0% gain in the three months to September but below market forecasts of 6.2%. Regular pay which excludes bonus payment also went up 6.1%, the most since July 2021, exceeding forecasts of 5.9% and after an upwardly revised figure of 5.8% in the previous period.
- The GfK Consumer Confidence indicator in the United Kingdom rose slightly to -42 in December 2022, improving for the third straight month but remaining near a record low of -49 reached in September as high inflation continued to erode household income and as the country braces for a prolonged recession.

UK Retail Sales

ONS Retail Sales & CBI Distributive Trades Report



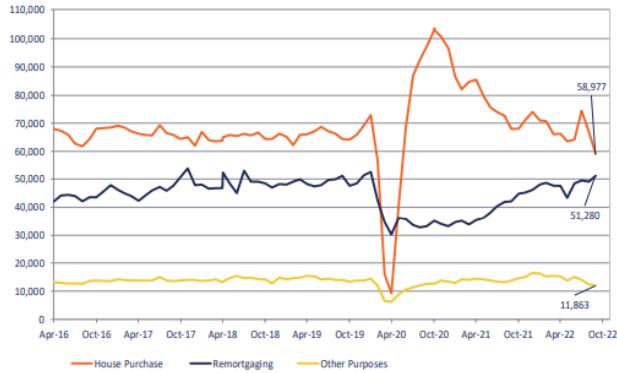
Retail Sales & Consumer Confidence



- Retail sales in the UK unexpectedly declined 0.4% month-over-month in November of 2022, after jumping an upwardly revised 0.9% in the previous month when there was a bounce back from the impact of the additional Bank Holiday in September for the State Funeral. Retail Sales in the United Kingdom decreased 5.9% year-on-year in November of 2022, slightly worse than market forecasts of a 5.6% decline.
- The CBI distributive trades survey's retail sales balance in the UK slumped 37 points to -19 in November 2022, pointing to a sharp decline in sales, according to the CBI's latest quarterly Distributive Trades Survey. In addition, firms anticipated a similar rate of sales decline next month.
- The GfK Consumer Confidence indicator in the United Kingdom rose slightly to -42 in December 2022, improving for the third straight month but remaining near a record low of -49 reached in September as high inflation continued to erode household income and as the country braces for a prolonged recession.

UK Housing

Historical Breakdown of Mortgage Approvals



UK House Price Changes y/y



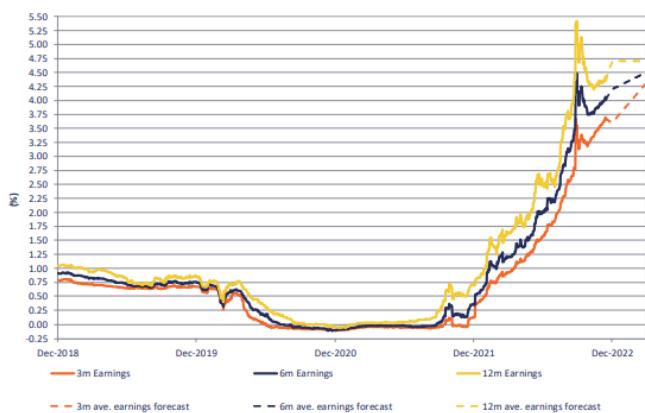
Source: Refinitiv Datastream

- House prices in the UK increased 4.7% y/y in November, the least since July 2020, following an 8.2% rise in October, data from Halifax showed. On a monthly basis, average house prices in the UK fell 2.3%, the biggest drop since October 2008, and marking the third straight month of declines.
- The Nationwide House Price Index in the UK increased 4.4% y/y in November 2022, less than 7.2% in October and below market expectations of 5.8%. Compared to the previous month, prices dropped 1.4%, the second straight month of decline and the biggest fall since June 2020.
- Approvals for house purchases in the United Kingdom, an indicator of future borrowing, dropped sharply to 58,977 in October 2022, down from a revised 65,967 in the previous month and below market expectations of 60,200. This was the lowest level of approvals since the aftermath of the COVID-19 outbreak in June 2020, amid rising borrowing costs and a looming economic recession. Meanwhile, approvals for remortgaging, which only capture remortgaging with a different lender, rose slightly to 51,280 in October from 49,491 in September. The 'effective' interest rate, the actual interest rate paid, on newly drawn mortgages increased by 25 basis points, to 3.09% in October. The rate on the outstanding stock of mortgages increased by 5 basis points, to 2.29%.

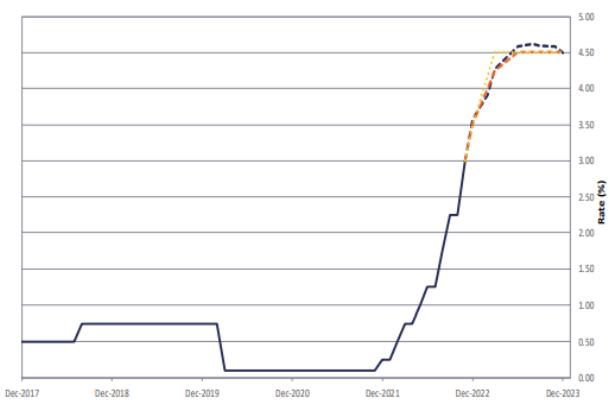
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UK Bank Rate Forecast

Average Earnings Forecast



Bank Rate Forecast



*Historic earnings data reflects LIBID rates until 03/01/22 and SONIA rates thereafter.

Link Group Interest Rate View

	Now	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%	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. earnings	-	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. earnings	-	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%

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UK Interest Rate Forecast

Bank Rate		Now	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
Link Group		3.50%	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%
Capital Economics		3.50%	3.50%	4.50%	4.50%	4.50%	4.50%	4.25%	4.00%	3.50%	3.00%	-	-	-	-
5yr PWLB Rate		Now	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
Link Group		4.18%	4.30%	4.30%	4.20%	4.10%	4.00%	3.90%	3.80%	3.60%	3.50%	3.40%	3.30%	3.20%	3.10%
Capital Economics		4.18%	4.10%	4.00%	3.80%	3.70%	3.50%	3.50%	3.40%	3.30%	3.30%	-	-	-	-
10yr PWLB Rate		Now	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
Link Group		4.26%	4.50%	4.50%	4.40%	4.30%	4.20%	4.00%	3.90%	3.70%	3.60%	3.50%	3.40%	3.30%	3.20%
Capital Economics		4.26%	4.10%	4.00%	3.80%	3.70%	3.60%	3.50%	3.40%	3.40%	3.30%	-	-	-	-
25yr PWLB Rate		Now	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
Link Group		4.61%	4.70%	4.70%	4.60%	4.50%	4.40%	4.30%	4.10%	4.00%	3.90%	3.70%	3.60%	3.50%	3.50%
Capital Economics		4.61%	4.60%	4.40%	4.20%	4.00%	3.80%	3.80%	3.70%	3.60%	3.60%	-	-	-	-
50yr PWLB Rate		Now	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
Link Group		4.27%	4.30%	4.40%	4.30%	4.20%	4.10%	4.00%	3.80%	3.70%	3.60%	3.40%	3.30%	3.20%	3.20%
Capital Economics		4.27%	4.20%	4.10%	4.00%	3.90%	3.80%	3.80%	3.70%	3.60%	3.60%	-	-	-	-

Please note – The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction from the new Standard Loan rate of 100bps over Gilts effective as of the 26th November 2020.

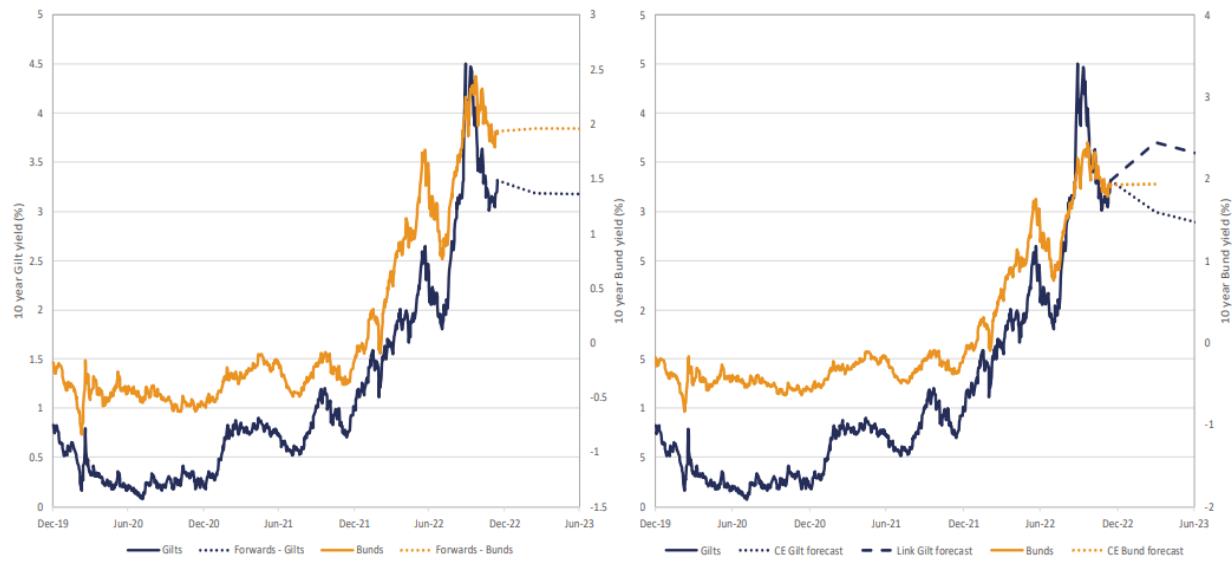
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PWLB Trends



- The Bank of England voted by a majority of 6-3 to raise interest rates by 50 basis points to 3.5 percent during its December meeting, pushing the cost of borrowing to the highest level since late-2008, as policymakers try to contain inflation amid fears of a looming economic recession. Two MPC members preferred to maintain rates unchanged, and one member preferred to increase them by 75 bps, to 3.75 percent.
- On 26th November 2020 the certainty rate was reduced by 100 bps to 80 bps over the Gilt yield.

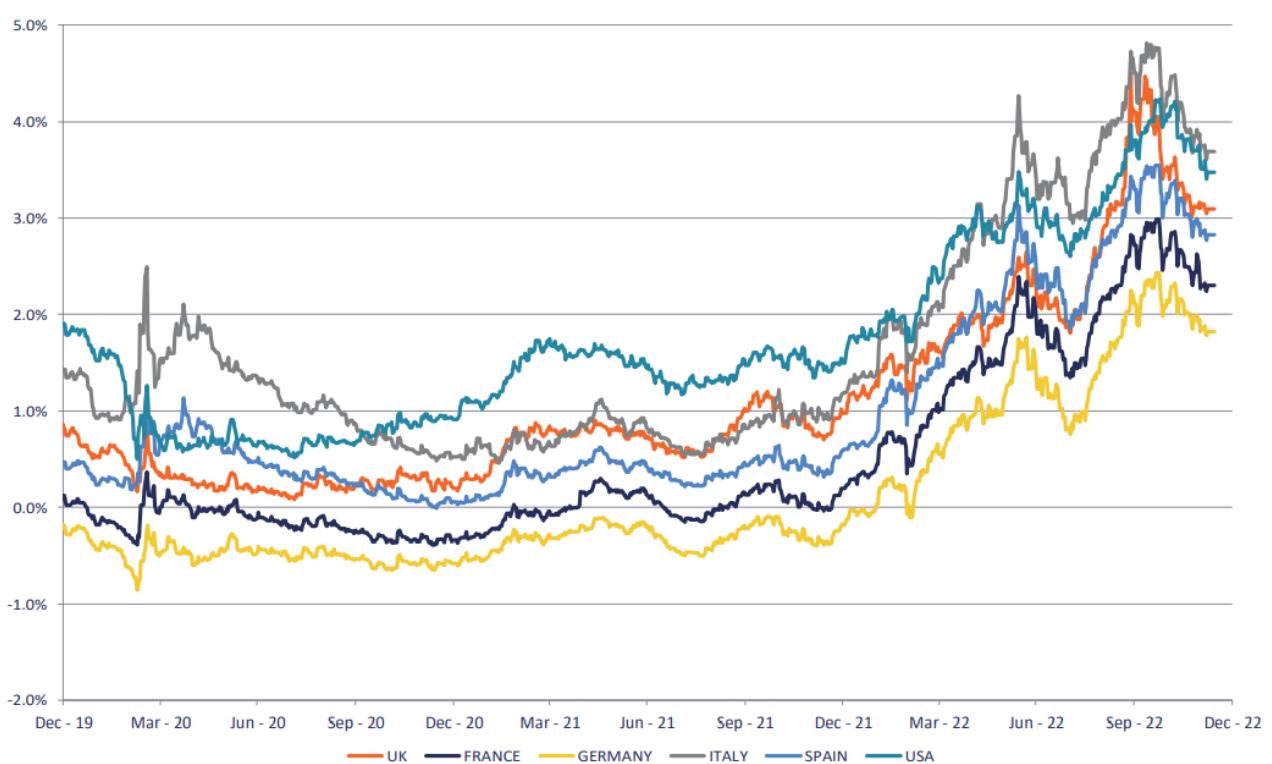
Relative Movements in 10 year Gilts and Bunds



- Yields on 10 year Gilts and German Bunds initially fell during the first quarter of last year, as signs emerged that the COVID-19 virus would become a global pandemic.
- Movements in Gilt and Bund yield changes have become increasingly synchronised since September 2020, consistent with yields in both markets being influenced by common factors, such as the Brexit agreement, then similar positions in respect of COVID-19 driven lockdowns and, of late, inflation concerns.

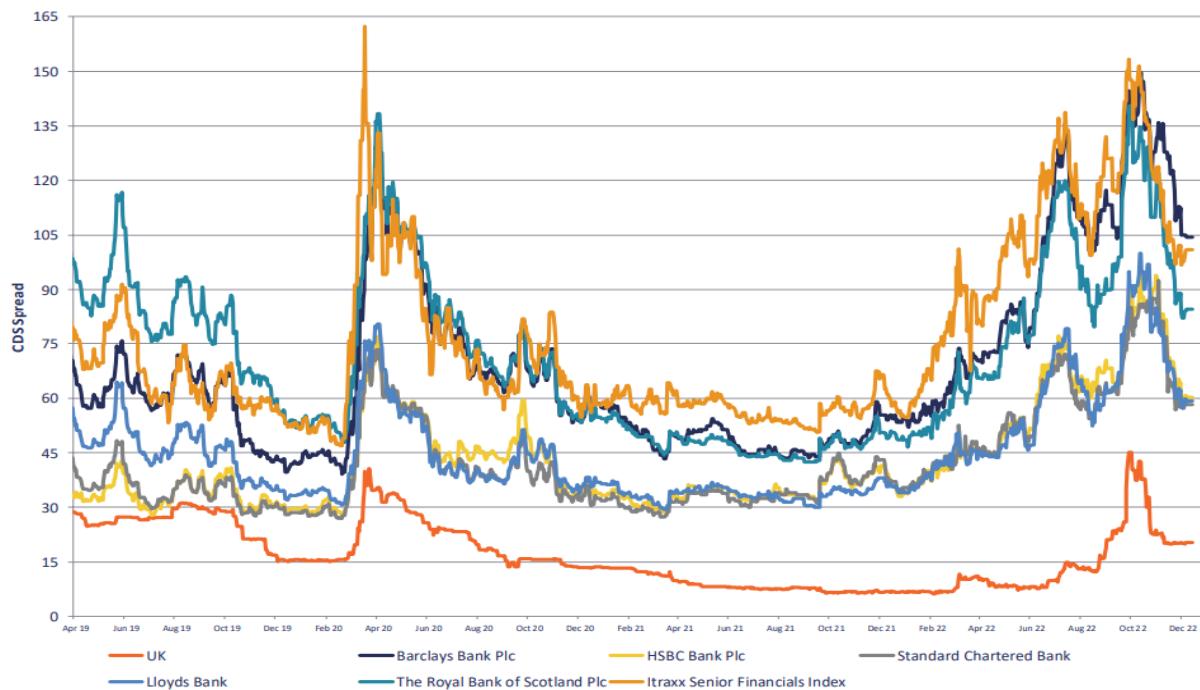
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Sovereign Bond Yield (10yr Benchmark)



18

UK Banks 5 Year Senior Debt CDS Spreads



19

Asset Class Returns – 2005 to November 2022

Asset Class (IA Sector unless stated)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	YTD - Nov. 2022	Average Annual Return
UK All Companies	21.40%	18.05%	2.18%	-31.81%	30.71%	17.10%	-3.73%	15.81%	26.66%	0.75%	4.90%	11.19%	14.08%	-11.18%	22.50%	-6.22%	17.12%		
UK Equity Income	20.92%	18.32%	-0.90%	-28.29%	24.43%	15.26%	-3.00%	14.63%	25.70%	3.48%	6.41%	8.84%	11.39%	-10.50%	19.90%	-10.78%	18.42%		
Mixed Investments 40-85% Shares	21.01%	10.69%	4.92%	-22.20%	21.01%	13.15%	-5.56%	10.48%	15.04%	4.96%	2.60%	13.32%	10.18%	-6.11%	15.96%	5.16%	11.16%	-8.80%	7.40%
Mixed Investments 20-60% Shares	14.92%	8.24%	2.21%	-17.16%	17.36%	10.24%	-2.54%	9.06%	9.37%	5.08%	1.53%	10.80%	7.19%	-6.11%	12.21%	3.50%	7.45%	-8.93%	5.55%
Mixed Investments 0-35% Shares	10.21%	5.59%	1.86%	-8.84%	13.78%	8.29%	1.15%	7.01%	4.88%	5.23%	0.55%	9.07%	4.99%	-3.36%	8.84%	3.80%	2.93%	-9.95%	4.41%
UK Property (MSCI/AREF, UK PFI Other Balanced Funds)*	18.80%	19.80%	-5.40%	-26.00%	-3.60%	12.20%	6.70%	0.30%	9.00%	16.30%	12.40%	2.80%	9.70%	7.40%	1.80%	-1.00%	18.00%	6.28%	5.84%
UK Index Linked Gilts	8.73%	2.09%	7.98%	3.33%	5.99%	8.26%	21.33%	0.23%	0.03%	18.61%	-1.29%	25.30%	2.25%	-0.54%	5.87%	12.04%	3.95%	-31.20%	7.31%
Corporate Bond	7.99%	0.48%	0.70%	-8.95%	16.14%	8.93%	5.58%	14.16%	1.41%	10.57%	0.26%	9.75%	5.13%	-2.16%	9.51%	7.75%	-1.90%	-14.96%	5.02%
Bloomberg Barclays £ 0-5yr Corporate Bond Index				4.84%	1.06%	9.22%	5.68%	1.83%	10.46%	3.34%	4.35%	1.49%	4.89%	2.32%	-0.06%	4.46%	3.52%	-5.82%	3.79%
IHS Markit iBoxx GBP Liquid Invest Grade Ultrashort Index				5.48%	4.56%	2.98%	0.88%	1.29%	1.69%	0.61%	0.88%	0.67%	0.94%	0.61%	0.69%	1.20%	0.92%	0.33%	1.57%
UK Gilts	7.84%	0.18%	4.43%	12.88%	-1.59%	7.03%	15.81%	1.94%	-4.91%	14.89%	0.00%	11.58%	1.74%	-0.06%	6.90%	9.00%	-5.28%	-20.70%	4.85%
FTSE Conventional Gilt up to 5yr Index	5.05%	2.60%	6.75%	9.92%	2.72%	3.57%	4.70%	0.98%	-0.55%	2.90%	0.97%	2.58%	-0.25%	0.34%	1.12%	1.52%	-1.63%	4.07%	2.55%
Money Market Funds	4.72%	4.71%	5.73%	5.27%	1.12%	0.66%	0.77%	0.69%	0.49%	0.52%	0.56%	0.53%	0.35%	0.65%	0.83%	0.36%	0.08%	1.24%	1.65%
Compounded 3 month SONIA (backward-looking)																		0.05%	
Compounded 12 month SONIA (backward-looking)																		0.06%	
RPI**	2.20%	4.40%	4.00%	0.90%	2.40%	4.80%	4.80%	3.10%	2.70%	1.60%	1.20%	2.50%	4.10%	2.70%	2.20%	1.20%	7.50%	14.20%	3.08%

Equity Assets Multi-Asset Physical Assets Fixed Income Assets Money Market Assets Economic data Index

Source: Lipper Investment Management, Property Fund Manager and iMoneyNet.

Figures are gross (all) and non-annualised (except for Money Market Assets). Please note the data for the 'IHS Markit iBoxx GBP Liquid Invest Grade Ultrashort Index', was internally calculated until 2013.

* UK Property figures are showing for October 2022 as figures are reported every quarter with a 2 month lag on data being released

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5 Investment and borrowing rates

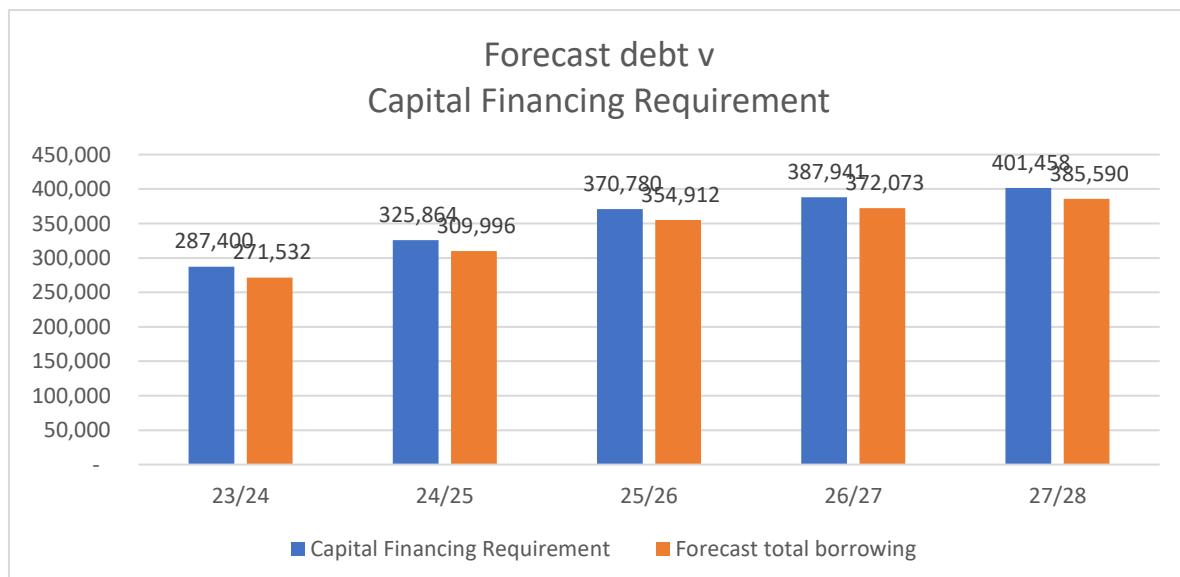
- 5.1 The policy of avoiding the interest cost of new borrowing by using available cash balances has served well over the last few years. However, this needs to be kept under review to avoid incurring high borrowing costs in the future when the Council may require new external borrowing to finance capital expenditure or for the refinancing of maturing debt.
- 5.2 There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost - the difference between borrowing costs and investment returns.

Capital Financing Requirement

- 5.3 The Council's capital programme is currently under review. The Capital Strategy for 2023-24 will be reported in Q1 of 2023-24.. 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 this service activity and the Council's capital strategy. This will involve both the organisation of the 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 position and the annual investment strategy.

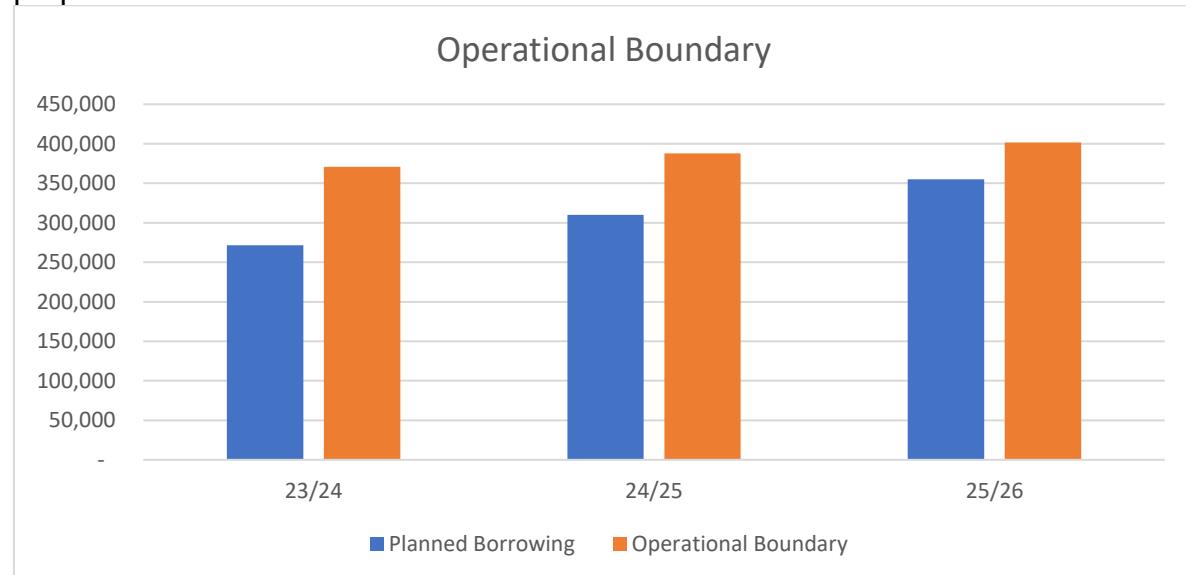
Current portfolio position

- 5.4 The Council's treasury portfolio position with forward projections is summarised below. The table shows the actual external debt against the underlying capital borrowing need (the Capital Financing Requirement), highlighting any over or under borrowing.



- 5.5 Within the prudential indicators there are 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 Capital Financing Requirement in the preceding year plus the estimates of any additional Capital Financing Requirement for 2023/24 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

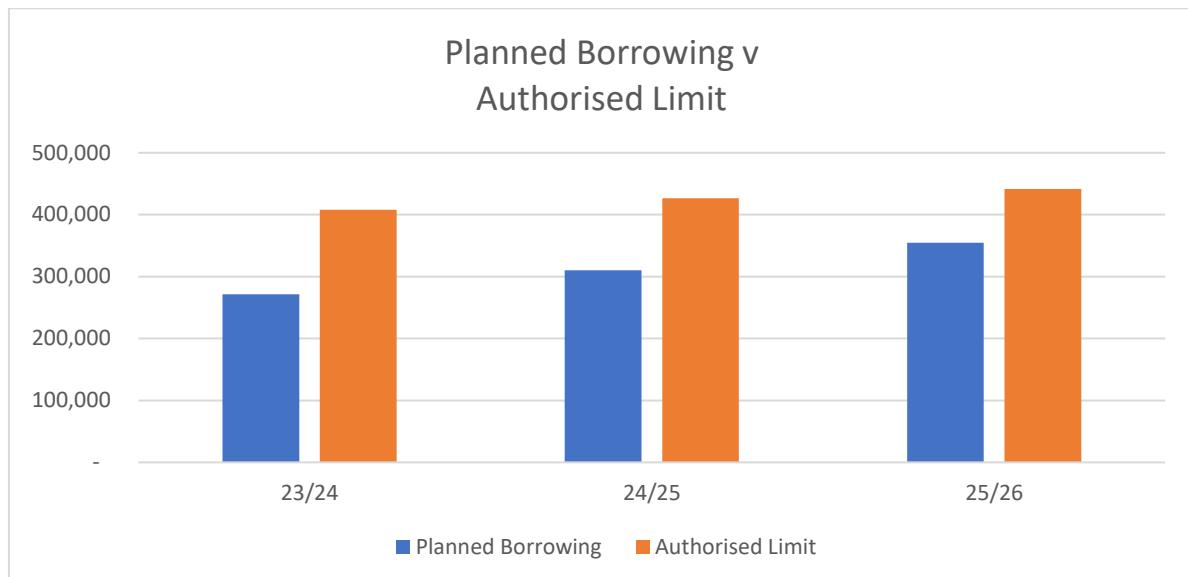


5.6 The Head of Finance and S151 Officer confirms that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future allowing for current commitments and the reset capital programme.

Treasury Indicators: Limits to Borrowing Activity

5.7 The Operational Boundary is the limit beyond which external debt is not normally expected to exceed. Planned external debt is well within the operational boundary limit.

The **Authorised Limit** for external debt represents a control on the maximum level of borrowing. This is a statutory limit determined under section 3(1) of the Local Government Act 2003. This limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short-term, but is not sustainable in the longer term. The chart shows that planned external debt is well within the authorised limit sought. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.



Borrowing Strategy

5.8 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure.

5.9 The Head of Finance and S151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in rates, (e.g., due to a marked increase of risks around relapse into recession or of risks of deflation), then long-term borrowing will be postponed, and potential rescheduling from fixed rate funding into short-term borrowing will be considered.
- if it was felt that there was a significant risk of a much sharper RISE in long and short-term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

5.10 Any major long term borrowing activity will be reported to the Governance and Audit Committee at the next available opportunity.

Treasury Management Limits on Activity

5.11 There are three debt-related treasury activity limits. The purpose of these is to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive, they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates.

5.12 Variable Interest Rate Exposure. This limit is an upper bound on the Council's actual borrowing carried in variable rate loans. Variable rate loans are offered by the Public Works Loans Board. The minimum duration is one year, the maximum is 10 years. Authorities may choose 1, 3 or 6 monthly interest repayments.

Premature redemptions of variable rate loans are discounted at the equivalent newly offered rate. Variable rate loans are also available from other local authorities or money markets.

5.13 High proportions of variable rate loans put interest costs at risk. Conversely borrowing in variable rates may enable the authority to benefit from reductions in variable rates generally. The recommended limits would allow the Council to fulfil borrowing requirements in variable rates pending a general income rate reduction.

Variable interest rate exposure	Lower	Upper
Under 12 months	0%	50%
12 months to 2 years	0%	25%
2 years to 5 years	0%	10%
5 years to 10 years	0%	5%

5.14 Fixed Interest Rate Exposure. Conversely a high proportion of fixed rate borrowing protects the authority from interest rate increases, but mean it is unable to benefit from interest rate reductions. Virtually all the City Council's current borrowing is in fixed rates.

Fixed interest rate exposure	Lower	Upper
Under 12 months	50%	100%
12 months to 2 years	75%	100%
2 years to 5 years	90%	100%
5 years to 10 years	95%	100%
10 years to 20 years	100%	100%
20 years to 30 years	100%	100%
30 years to 40 years	100%	100%
40 years to 50 years	100%	100%

5.15 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 borrowing 2023/24	Lower	Upper
Under 12 months	0%	15%
12 months to 2 years	0%	15%
2 years to 5 years	0%	15%
5 years to 10 years	0%	15%
10 years to 20 years	0%	40%
20 years to 30 years	0%	40%
30 years to 40 years	0%	40%
40 years to 50 years	0%	10%

Policy on Borrowing in Advance of Need

5.16 The Council will not borrow more than or in advance of its needs purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Debt Rescheduling

5.17 Where short-term borrowing rates become considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred). The reasons for any rescheduling to take place will include:

- the generation of cash savings or discounted cash flow savings.
- helping to fulfil the treasury strategy.
- enhance the balance of the portfolio by amending the maturity profile or the balance of volatility).

5.18 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short-term rates on investments are likely to be lower than rates paid on current debt.

5.19 Any rescheduling will be reported to the Scrutiny Panel or the Governance and Audit Committee at the earliest meeting following its action.

Housing Revenue Account borrowing

5.20 As part of the Housing Revenue Account reform arrangements in April 2012, the Council decided to follow the 'two pool' approach to allocating existing debt, considering those loans that were originally raised for a specific purpose. This assumed that the Housing Revenue Account would be fully borrowed, however the Housing Revenue Account is now in a position where it may need to borrow to fund the Housing Investment Programme.

5.21 As the Council is maintaining an under-borrowed position, the HRA will be recharged for the cost of any new borrowing requirement based on the average balance of unfinanced Housing Revenue Account borrowing during the year, using the Public Works Loan Board variable rate as at 31 March of the previous year. In an environment of low investment returns and relatively stable borrowing rates, this provides a recharge that is beneficial to both the Housing Revenue Account and General Fund and can be reasonably forecast from early in the financial year. This approach will be reviewed annually in conjunction with the Treasury Management Strategy Statement and projected investment returns.

6 Annual Investment Strategy

Investment Policy

6.1 The Department of Levelling Up, Housing and Communities and Local Government and the Chartered Institute of Public Finance and Accountancy have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). The Council's capital programme is currently under review. The Capital Strategy for 2023-24 will be reported in Q1 of 2023-24.

6.2 In accordance with the above guidance, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria 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.

6.3 Ratings will not be the sole determinant of the quality of an institution, and 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 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.

6.4 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector to establish the most robust scrutiny process on the suitability of potential investment counterparties.

6.5 Investment instruments identified for use in the financial year are listed in the Appendix, which includes Counterparty, time and monetary limits. These will cover both 'Specified' and 'Non-Specified' Investments.

6.6 Such investments are treated as expenditure for treasury management and prudential borrowing purposes even though they do not create physical assets in the Council's accounts. Appropriate budgets in respect of these activities are agreed as part of the Council's budget setting and ongoing monitoring processes and considered as part of the Investment Strategy.

6.7 Specified Investments are sterling denominated investments of not more than one-year maturity, meeting the minimum 'high' criteria where applicable. These are considered low risk assets where the possibility of loss of principal or investment income is small. Non-Specified Investments are those that do not meet the specified investment criteria. A limit of £20m will be applied to the use of Non-Specified Investments (this will partially be driven by the long-term investment limits).

Creditworthiness policy

6.8 This Council applies the creditworthiness service provided by Link Asset Services. 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 Swap spreads that may give early warning of likely changes in credit ratings.
- sovereign ratings to select counterparties from only the most creditworthy countries.

6.9 This modelling approach combines credit ratings, and any assigned Watches and Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The product of this 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 Bond 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

Y	Pi1	Pi2	P	B	0	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7

Up to 5yrs Up to 5yrs Up to 5yrs Up to 2yrs Up to 1yr Up to 1yr Up to 6mths Up to 100days No Colour

6.10 The creditworthiness service uses a wider array of information than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

6.11 Typically, the minimum credit ratings criteria the Council uses will be a 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.

6.12 All credit ratings will be monitored monthly. The Council is alerted to changes to ratings of all three agencies through its use of the creditworthiness service. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer-term change) are provided to officers almost immediately after they occur and this information is considered before dealing.

- 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 swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

6.13 Sole reliance will not be placed on the use of this external service. In addition, the Council will also use market data and market information, and information on any external support for banks to help support its decision-making process.

Country limits

6.14 The Council will only use approved counterparties from countries with a minimum sovereign credit rating of AA-, based on the lowest available rating. However, this policy excludes UK counterparties. The list of countries that qualify using this credit criteria as at the date of this report are shown in the Appendix. This list will be amended by officers should ratings change in accordance with this policy.

6.15 In addition:

- no more than £15m will be placed with any non-UK country at any time.
- the limits will apply to a group of companies.
- sector limits will be monitored regularly for appropriateness.

Investment strategy

6.16 The Council will manage all its investments in-house. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short to medium term interest rates.

Investment treasury indicator and limit

6.17 The limit for the total principal funds invested for greater than 365 days is 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. The Council is asked to approve a limit of £10m for 2021/22 and subsequent years.

£000	2022/23	2023/24	2024/25
Max. principal sums invested> 365 days	£10,000	10,000	10,000

End of year investment report

6.18 At the end of the financial year, the Council will report on its investment activity to the Governance & Audit Committee as part of its Annual Treasury Report.

Specified Investments – These investments are sterling investments of not more than one year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small.

Organisation	Min. Credit Criteria	Money Limit	Maturity Limit
Banks and Building Societies (including term deposits, CDs or corporate bonds)	Yellow	£10m	1 years
	Purple	£10m	1 years
	Orange	£10m	1 year
	Blue	£10m	1 year
	Red	£7.5m	6 months
	Green	£5m	100 days
	No colour	Not to be used	
UK Government Gilts	UK sovereign rating	£10m	1 year
UK Government Treasury Bills	UK sovereign rating	£10m	1 year
UK Local & Police Authorities	N/A	Unlimited	1 years
Debt Management Agency Deposit Facility	AAA	Unlimited	6 months
Money Market Funds	AAA	£10m	Liquid
Enhanced Money Market Funds	Dark Pink / Light Pink / AAA	£10m	Liquid
Bonds issued by Multilateral Development Banks	AAA	£3m	6 months

Non-Specified Investments – These are investments that do not meet the specified investment criteria. A limit of the lesser of £20m or 50% of the portfolio will be held in aggregate in non-specified investments.

Organisation	Min. Credit Criteria	Money Limit	Maturity Limit
UK Local & Police Authorities	N/A	£10m	5 years
Banks and Building Societies (including term deposits, CDs or corporate bonds)	Yellow / Purple	£10m	5 years
UK Government Gilts	UK sovereign rating	£10m	5 years
UK Government Treasury Bills	UK sovereign rating	£10m	5 years
Property fund	AAA	£5m	5 years

Notes:

- Non U.K. country limit of £15m
- Limit in all Building Societies of £10m

The use of property funds can be deemed capital expenditure, and as such will be an application of capital resources. The Council will seek guidance on the status of any fund it may consider using. Appropriate due diligence will also be undertaken before investment of this type is undertaken.

The criteria in this appendix are intended to be the operational criteria in normal times. At times of heightened volatility, risk and concern in financial markets, this strategy may be amended by temporary operational criteria further limiting investments to counterparties of a higher creditworthiness and / or restricted time limits.

This list is based on those countries that have sovereign ratings of AA- or higher and also have banks operating in sterling markets, which have credit ratings of green or above in the Link Asset Services credit worthiness service.

AAA	Australia Denmark Germany Netherlands Norway Singapore Sweden Switzerland
AA+	Finland Canada U.S.A.
AA	Abu Dhabi (UAE) France
AA-	Belgium Qatar UK

Appendix D – Technical reconciliations of budget requirement 2023/24

Table D1 – Technical reconciliation of budget requirement		
	Element	£'000
1	Revenue expenditure requirement for 2023/24	25,285
2	Collection fund deficit (business rates and Council Tax)	5,661
3	New Homes Bonus	(576)
4	Use of balances / reserves for pensions payment	(557)
5	Use of Business Rates Reserve	(5,661)
6	Use of Business Rates Pooling gain	(200)
7	Use of balances	(1,900)
8	Budget Requirement	22,052
9	Funded by:	
10	Government Grant (Services and Funding Guarantee)	(1,860)
11	Business Rates Baseline Funding	(4,693)
12	Business Rates Improvement	(1,563)
13	Council Taxpayers requirement (before Parish element)	(13,936)
14	Total Funding	(22,052)

Table D2 – Technical reconciliation of Band D Council Tax		
1	Council Taxpayers requirement (before Parish element)	13,936
2	Council Tax Base – Band D Properties	65,863
3	Council Tax at Band D	211.59

Table D3 – Technical reconciliation of 2023/24 Base Budget		
1	Base Budget	21,875
2	One-off items	(1,179)
3	Cost Pressures	8,628
4	Growth Items	1,400
5	Change in use of New Homes Bonus for one off investment	(778)
6	Savings	(4,661)
7	Forecast Base Budget	25,285

Table D4 – Technical reconciliation of 2023/24 savings

1	Income from budgets overperforming in recent financial years	(550)
2	Recruitment Freeze	(500)
3	Neighbourhoods Discretionary Services reduction	(300)
4	Technical items - GF/HRA recharges	(259)
5	Recycling Kit new policy	(230)
6	CCHL Mgt fee reduction to reflect additional project mgt fees	(200)
7	Organisational Design	(200)
8	Garden Waste Charging	(200)
9	1.25% NI Reduction (Employers Rate)	(198)
10	Turnstone income	(100)
11	23/24 Fees & Charges growth reflecting higher inflation	(100)
12	Commercial review of existing income generating services	(100)
13	Overtime reduction	(100)
14	Contact & Support – service reduction	(100)
15	Consolidation of GF Housing Services	(100)
16	Reduce Energy Consumption	(100)
17	Castle Park Cricket Club Grounds Maintenance	(82)
18	Eudo Road Sports Ground rental	(80)
19	CBH SLA income from tri-annual review	(80)
20	Various Asset Management Initiatives (easements, lease regars)	(75)
21	Museums - review of service model & utilise external funding	(60)
22	Northern Gateway Sports Park increased income assumptions	(56)
23	Rowan House Refurbishment - re-profiling/cost update	(56)
24	Local Fast Fibre Network reduced income assumptions	(50)
25	Removal of Amphora Sport & Leisure Strategic Management Fee	(50)
26	Review of Tree Maintenance SLA with ECC	(50)
27	22/23 Fees & Charges mid-year review feeding into 23/24 base budget	(50)
28	Review all Fixed-Term contracts	(50)
29	Allow staff to reduce hours	(50)
30	AVC scheme & reduction in ER's NI contributions	(50)
31	Sports & Playing Fields - review GM standards & enable/empower others	(50)
32	Environmental Health – service reduction	(50)
33	Revs & Bens New Burdens Grant	(50)
34	Arts Council funding increase (21/22 budget setting)	(40)
35	Community Initiatives - utilise further external funding	(35)
36	Reduction in Community Enabling Team	(30)
37	Property Group 1 easements	(30)
38	Property Group 3 Lettings (Rent)	(30)
39	Countryside sites - commercial opportunities/model of management	(25)
40	Property Group 5 (Service Charge & NNDR)	(23)
41	Castle Park café (21/22 budget setting)	(20)
42	Payment processing system	(20)
43	Amphora dividend (Memoirs)	(15)
44	Heckworth House business rates saving (21/22 budget setting)	(15)

45	Council tax penalties	(12)
46	Car park markets and events (21/22 budget setting)	(10)
47	Property Group 0 lease regear	(10)
48	Property Group 4 (Service Charge & NNDR)	(10)
49	Shared Prosperity Fund admin grant	(10)
50	Total Savings	(4,661)

Table D5 – Technical reconciliation of 2023-24 cost pressures and growth items

1	General Inflation (pay, contractual etc)	3,000
2	Utilities/Energy Inflation	1,533
3	Support for transformation & future budget savings	1,400
4	Waste Service - various cost pressures	864
5	Pensions (3 year up-front deficit payment)	836
6	Net Impact of Minimum Revenue Provision and Interest	731
7	2022 Actuarial Review Impact	500
8	Fuel	270
9	Sport and Leisure - various cost pressures	206
10	Council Tax Sharing Agreement	200
11	Elections	157
12	Audit Fees	150
13	Banking Charges	65
14	Insurance	51
15	Voluntary Sector Grants	35
16	Asset Valuations	16
17	Payroll System costs	14
18	Total cost pressures and growth items	10,028

Appendix E - Summary Budget 2023/24

	Adjusted Base Budget	One-Off Items	Cost Pressures	Growth Items	Technical Items	Total Savings	Detailed 22/23 Budgets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate & Democratic Core	(448)		415				(33)
Executive Management Team	794		47			(7)	834
Corporate & Improvement	6,986		365			(167)	7,184
Community	1,493		434			(445)	1,482
Customer	1,931		436			(178)	2,189
Environmental (excl NEPP)	5,878	(363)	2,236			(1,192)	6,559
Place & Client	3,351	(686)	2,331	3		(1,301)	3,698
Total General Fund Services	19,985	(1,049)	6,264	3	0	(3,290)	21,913
Technical Items							
<i>Corporate Items / sums to be allocated to services</i>							
Procurement Savings	(108)						(108)
Investment Allowance funded by New Homes Bonus	1,323			(781)			542
Previously agreed funding for Strategic Priorities	(94)						(94)
Digital Roadmap	100						100
Fees & Charges Review & Growth	0					(250)	(250)
Senior Management Restructure	0					(200)	(200)
Inflation yet to be allocated	96	(130)	797				763
Improved Establishment Control	(10)						(10)
Rowan House	65					(65)	0
General Fund Housing Services Review	0					(100)	(100)

Energy consumption reduction	0					(136)	(136)
Overtime reduction	0					(100)	(100)
Fixed Term contracts review	0					(50)	(50)
Additional Voluntary Contribution Scheme	0					(50)	(50)
Reduced staffing hours	0					(50)	(50)
Revs & Bens New Burdens Grant	0					(50)	(50)
Council tax Penalties	0					(12)	(12)
Shared Prosperity Fund admin grant	0					(10)	(10)
Payment processing system	0					(20)	(20)
Support for transformation & future budget savings	0			1,400			1,400
<i>Non-Service Budgets</i>							
CLIA (net interest)	1,025		101				1,126
Repairs & Renewals Contribution	300						300
Minimum Revenue Provision	2,123		630				2,753
Pensions	366		836				1,202
Contribution to Bad Debts Provision	20						20
GF/HRA/NEPP Adjustment	(3,316)					(278)	(3,594)
Sub-Total	1,890	(130)	2,364	619	0	(1,371)	3,372
Total incl Below the line	21,875	(1,179)	8,628	622	0	(4,661)	25,285
<i>Funded by:-</i>							
Use of balances	(125)	125			0		0
Contribution to balances	935	(935)			279		279
Use of other Earmarked Reserves	0				(836)		(836)
Use of Reserves - Covid 19	(522)	522			(1,900)		(1,900)
Use of NNDR reserve	(4,908)	4,908			(5,661)		(5,661)
Govt - CSP Funding Guarantee Grant	0	0			(1,692)		(1,692)

Govt - Lower Tier Grant	(198)	198			0		0
Govt - Services Grant	(298)	298			(168)		(168)
Business Rates Baseline	(4,343)				(350)		(4,693)
NNDR Growth above Baseline	(1,870)				307		(1,563)
Business Rates Pooling	(200)						(200)
Council Tax	(13,300)				(636)		(13,936)
Collection fund Transfer	4,908	(4,908)			5,661		5,661
New Homes Bonus	(1,954)				1,378		(576)
Total	(21,875)	208	0	0	(3,618)	0	(25,285)

Appendix F - 2023/24 General Fund Budgets

Area	Direct Budgets			Non-Direct Budgets	Total
	Spend	Income	Net		
	£'000	£'000	£'000		
Corporate & Democratic Core	537	(570)	(33)	2,908	2,875
Total	537	(570)	(33)	2,908	2,875
Executive Management Team					
EMT	834	-	834	(834)	-
Total	834	-	834	(834)	-
Community					
Assistant Director	174	-	174	(174)	-
Licencing, Food & Safety	545	(583)	(38)	314	276
Community Safety	100	-	100	3	103
Environmental Health Services	415	(66)	349	124	473
Building Control	464	(564)	(100)	266	166
Community Initiatives	351	(1)	350	184	534
Private Sector Housing	552	(174)	378	103	481
Bereavement Services	1,159	(2,024)	(865)	273	(592)
Cultural Services	631	(96)	535	1,054	1,589
Colchester Museums	33	(594)	(561)	39	(522)
Subtotal	4,424	(4,102)	322	2,186	2,508
Colchester & Ipswich Museums	2,420	(1,260)	1,160	799	1,959
Total	6,844	(5,362)	1,482	2,985	4,467
Customer					
Assistant Director	169	-	169	(169)	-
Accounts & Debt	797	(165)	632	(632)	-
Local Taxation & NNDR	615	(750)	(135)	627	492
Benefits & Hub	928	(188)	740	(740)	-
Contact & Support Centre	1,112	(30)	1,082	(1,082)	-
Electoral Services	562	(3)	559	76	635
Customer Digital & Systems	174	-	174	(174)	-
Land Charges	147	(299)	(152)	152	-
Subtotal	4,504	(1,435)	3,069	(1,942)	1,127
Benefits - Payments & Subsidy	32,491	(33,371)	(880)	656	(224)
Total	36,995	(34,806)	2,189	(1,286)	903
Environment					
Assistant Director	168	-	168	(168)	-
Neighbourhood Services	13,878	(4,877)	9,001	3,072	12,073
Car Parking	1,089	(3,699)	(2,610)	888	(1,722)
Subtotal	15,135	(8,576)	6,559	3,792	10,351

	Direct Budgets			Non-Direct Budgets	
Parking Partnership (NEPP)	4,301	(4,340)	(39)	81	42
Total	19,436	(12,916)	6,520	3,873	10,393
Place & Client					
Assistant Director	163	-	163	(163)	-
Place Strategy	658	-	658	115	773
Housing	2,887	(1,341)	1,546	(190)	1,356
Planning	1,297	(1,415)	(118)	701	583
Sustainability & Climate Change	274	(16)	258	14	272
Subtotal	5,279	(2,772)	2,507	477	2,984
<i>Company Related:-</i>					
Client - Commercial Company	1,846	(302)	1,544	(1,846)	(302)
Corporate Asset Management	2,221	(308)	1,913	(1,835)	78
Commercial & Investment	1,252	(4,343)	(3,091)	2,517	(574)
Sport & Leisure	6,857	(6,032)	825	2,075	2,900
Total	17,455	(13,757)	3,698	1,388	5,086
Corporate & Improvement					
Assistant Director	153	(129)	24	(153)	(129)
Finance	1,164	(211)	953	(953)	-
ICT	2,864	(464)	2,400	(2,400)	-
People and Performance	854	(164)	690	(726)	(36)
Governance	3,126	(442)	2,684	(2,624)	60
Communications	663	(230)	433	(433)	-
Total	8,824	(1,640)	7,184	(7,289)	(105)
Total (excl. NEPP)	86,624	(64,711)	21,913	1,664	23,577

* Non-direct budgets reflect recharges between service areas and technical accounting charges. These are shown to present the full cost of services

Appendix G - Reserves, Provisions and Balances

	2021/22	2022/23	2023/24
	Actual	Forecast	Forecast
	£'000	£'000	£'000
General Fund Balance	2,160	2,160	2,160
Future budget reserve	6,862	2,117	1,217
Redundancy Provision	1,000	750	500
Risk Allocation - Available for revenue purposes	515	515	515
NEPP/CIMS Ring-Fenced Reserves etc	252	252	252
Pension Fund Deficit	2,279	2,279	1,722
Repairs & Renewals Fund	3,182	3,182	2,658
Insurance Reserve	739	739	739
Capital Expenditure Reserve	516	516	516
Gosbecks Reserve	114	114	114
Revenue Grants Unapplied	4,869	4,869	4,869
Decriminalisation Parking Reserve	336	336	336
Business Rates Reserve	9,918	10,918	6,918
Revolving Investment Fund Reserve	2,056	2,056	2,056
Other Reserves	305	305	305
Total General Fund Reserves	35,103	31,108	24,877
Housing Revenue Account Balance	4,555	4,555	4,555
Housing Revenue Account Retained Right To Buy Receipts – Replacement & Debt	7,712	6,637	5,338
Total Housing Revenue Account Reserves	12,267	11,192	9,893
Total Reserves	47,370	42,300	34,770

Appendix H – Allocation of New Homes Bonus

	Allocation of New Homes Bonus	2023/24	2024/25	2025/26	2026/27	2027/28
		£'000	£'000	£'000	£'000	£'000
1	New Homes Bonus	576	550	550	550	550
2	Allocated to:-					
3	Feasibility costs	250	250	250	250	250
4	Affordable housing allocation	34	50	50	50	50
5	Support to Tendring Colchester Borders & Local Plan	250	250	250	250	250
6	Support for one-off schemes (see below)	42	0	0	0	0
7	Total allocation	576	550	550	550	550
	Use of NHB allocation for one-off schemes					
8	Support for one-off schemes	42	0	0	0	0

Appendix J

Transformation Budget Savings 2023/24 onwards. Non-transformational see Appendix D4.

Strategy Theme	Council wide staffing	23/24 £000's	24/25 £000's
Introduction	<p>£25.8m of the Council's spend is on staffing. Savings can be made across the whole organisation through initiatives to manage the staffing budgets. The following workstreams will reduce staffing expenditure.</p>		
Saving	Benefits, Issues, Risks and Impact		
Recruitment freezes for external appointments	<ul style="list-style-type: none"> • Staff turnover rate 15% (ex H&S and income generation). • Freeze the recruitment of external appointments except for roles required for health and safety, income generation, are fully externally funded or in specialist technical areas. • We will encourage and help staff on permanent contracts to be flexibly employed and re-trained where required to move around and within the organisation where needed. <p>Risks:</p> <ul style="list-style-type: none"> • Reprioritise activities or reduce quality-of-service delivery 	500	0
Review all fixed term contracts	<ul style="list-style-type: none"> • We have numerous fixed term contracts that will be reviewed on an individual and service basis to reduce the number that need to be extended. • Use external funding to pay for permanently employed staff (risk if external funding ceases). <p>Risks:</p> <ul style="list-style-type: none"> • As fixed term contracts end areas of work will need to be reduced or reprioritised. Loss of external funding • Reduction in capacity for service delivery 	50	0
Reduce overtime budgets	<ul style="list-style-type: none"> • We will review all overtime budgets and spend • Reduce budgets if work could be reduced or reprioritised <p>Risks:</p> <ul style="list-style-type: none"> • Reduction in capacity for service delivery 	100	0
Reduction of staffing hours worked	<ul style="list-style-type: none"> • Allow staff to reduce paid hours in a fair and flexible way • Need commitment for a full year's reduction in hours <p>Risks:</p> <ul style="list-style-type: none"> • Reduction in capacity for service delivery 	50	0
Reduce employers NI contributions	<ul style="list-style-type: none"> • Option for staff to make Additional Voluntary Contributions to their pension through a new salary sacrifice scheme This in turn will reduce employers NI contribution and results in a saving. <p>Risks:</p> <ul style="list-style-type: none"> • Take up uncertain 	50	0
Sub total:		750	0

Strategy Theme	Collaboration across service and system partners		
Saving	Benefits, Issues, Risks and Impact	23/24 £000's	24/25 £000's
Review maintenance SLA with ECC	<ul style="list-style-type: none"> Deliver the ECC service level agreement to maintain verges and trees so that it is no longer subsidised. (E.g. the SLA funding provided is for two cuts in urban areas per year. We currently undertake 12-14 cuts per year). <p>Risks:</p> <ul style="list-style-type: none"> Enquiries about standards by public and members (Visibility splays will be cut frequently to maintain safety.) Requires ECC support. 	50	50
Reduce Community Enabling Team resource	<ul style="list-style-type: none"> Community Enabling Team external funding raised Through our Community Can approach (ABCD), we work with partners to empower and enable residents <p>Risks:</p> <ul style="list-style-type: none"> External funding not available medium to longer term. Reduction in capacity whilst maintaining service delivery 	65	0
Reduce spend on the Disabled Facilities Grant (DFG) service	<ul style="list-style-type: none"> Maximise cost recovery from DFG grant A Home Improvement Agency (as other councils). Resource still needed to monitor contract performance <p>Risks:</p> <ul style="list-style-type: none"> Cost recovery will be investigated in business case Loss of experienced staff (hard to recruit area) 	0	68
Reduce CCC spend on countryside sites	<ul style="list-style-type: none"> Use commercial opportunities and mode of management / ownership; consideration of increasing commerciality of Mersea Beach Huts and Mersea Pontoon. <p>Risks:</p> <ul style="list-style-type: none"> Beach Hut agreement changes require 12-month notice. 	25	25
Reduce CCC spend on sports and playing fields	<ul style="list-style-type: none"> Review standards of grounds maintenance. Enable and empower Parish Councils/Sports Clubs to take on management or ownership with an appropriate payment. <p>Risk:</p> <ul style="list-style-type: none"> Criticism of standards Groups' 23/24 budgets already set. Mitigated by the Council providing some start-up funding. 	50	50
Sub total:		190	193

Strategy Theme	Funding Strategy and Reserves		
Saving	Benefits, Issues, Risks and Impact		
Reduce project management fee to Amphora	<ul style="list-style-type: none"> Reduce the core management fee to Amphora to reflect additional project management fees paid to subsidiaries <p>Risks</p> <ul style="list-style-type: none"> Loss of income to Amphora 	200	0
Sub total:		200	0

Budget Strategy Theme	Fees and Charges / Commercialising CCC Services		
Introduction to Theme	<p>We will review our ability to provide discretionary services that have previously been free of charge or below the market rate. Fees and charges will be increased or introduced to maintain these services. We will focus on our commercial activities to enable us to be sustainable and self-sufficient based on an income generating capability and ensure our fees and charges keep pace with inflationary pressures.</p>		
Saving	Benefits, Issues, Risks and Impact	23/24 £000's	24/25 £000's
2022/23 mid-year review of fees and charges	<ul style="list-style-type: none"> Mid-year review has happened to reflect inflationary factors Additional income 22/23 then allows us to increase the baseline income assumptions for 23/24 <p>Risks:</p> <ul style="list-style-type: none"> Demand for services falls due to increased fee charged. Mitigated by reviewing each fee and charge individually. 	50	0
2023/24 review of fees and charges	<ul style="list-style-type: none"> Increase fees and charges for 23/24 by inflation Currently assume a 2.5% increase <p>Risks:</p> <ul style="list-style-type: none"> Demand for services falls due to increased fee charged. Mitigated by reviewing each fee and charge individually 	100	0
Commercial review of existing income generating services	<ul style="list-style-type: none"> Areas identified for additional income are activities in Colchester Museum and commercial opportunities in Castle Park, Café, Boating Lake and Bowling Club <p>Risks:</p> <ul style="list-style-type: none"> Revenue or capital costs for some proposals to improve commercial offering and legal compliance 	100	100
New income from Eudo Road Tennis Centre	<ul style="list-style-type: none"> Now rented out part of the Eudo Road Sports Ground With full planning approval additional 25-50% rent income <p>Risks:</p> <ul style="list-style-type: none"> The level of income depends on whether the Padel Tennis provider can get planning permission First 3 months will be rent free affecting income 23/24 	80	0
Charge for Garden Waste	<ul style="list-style-type: none"> Charging for discretionary services currently provided free of charge. Budget assumes 5% take-up in Season 1 (2023/24), and 21% in 2024/25. Budget is income less Credit Claim, based on above percentage assumptions. The budget assumes revenue costs remain the same (i.e. fuel and staffing), until such time as the customer base is stabilised and routes are re-optimised <p>Risks:</p> <ul style="list-style-type: none"> Income forecast has been based on numerous assumptions and will be subject to change. The current economic climate may impact take-up, considering this is discretionary spend. Consultation on the Environment Act 2021 has not ended. If the act does not allow charging in future years new burdens funding is likely to be offered. 	200	725

	<ul style="list-style-type: none"> • Fly tipping of green waste may initially increase 		
Charge residents for Recycling Kit	<ul style="list-style-type: none"> • Develop and introduce a new policy for the provision of recycling kit. • All options to be explored • Residents can use any suitable items to contain and present recycling. <p>Risks:</p> <ul style="list-style-type: none"> • Recycling kit costs fluctuate. • The current economic climate may impact sales. • Credit claim may reduce if recycling tonnages reduces. • The Environment Act 2021 (as above). 	230	0
Revs and Bens New Burdens Grant	<ul style="list-style-type: none"> • This is anticipated income for the administration of Business Grant reconciliation work, Council Tax rebates and new alternative energy schemes <p>Risks:</p> <ul style="list-style-type: none"> • This is one off income in 2023/24 	50	0
Council Tax penalties	<ul style="list-style-type: none"> • New Council Tax penalties for residents claiming discounts and exemptions which they no longer qualify for. <p>Risks:</p> <ul style="list-style-type: none"> • Some residents may find it difficult to pay penalties 	12	0
Shared Prosperity Fund admin grant	<ul style="list-style-type: none"> • Some of the Shared Prosperity Fund admin grant can be used as income • The admin work that is being done internally can be absorbed within current workloads. • The remainder of the admin grant is needed for external consultancy work. <p>Risks:</p> <ul style="list-style-type: none"> • This is low risk one off income in 2023/24 	10	0
Sub total:		832	825

Strategy Theme	Service Rationalisation and Organisational Development		
Introduction to Theme	<p>Over the years we have provided a broad range of high quality statutory and discretionary services. Our financial challenges mean we can no longer provide such a broad range at the same levels, and we now need to reprioritise these. We will review services and provide what is essential at acceptable levels to meet our statutory requirements and deliver against our Strategic Plan.</p> <p>As an organisation we have become more streamlined and less hierarchical, making continued efficiencies.</p> <p>We are making further savings in the workstreams detailed in this section.</p>		
Saving	Benefits, Issues, Risks and Impact	23/24 £000's	24/25 £000's
Organisational Design	<ul style="list-style-type: none"> Senior Management Team (SMT) structure has been reviewed, redesigned to a new Senior Board Structure. The resulting team has reduced from nine roles to six roles with an overall saving of £200K. <p>Risks:</p> <ul style="list-style-type: none"> The team has reduced by a third so there is less overall capacity and resilience, but this has been mitigated by distributing leadership and decision making to service delivery leads. 	200	0
Sport and Leisure - New service model	<ul style="list-style-type: none"> Sport and Leisure will create a more efficient staffing structure and service model There is confidence that service levels and associated income can be maintained <p>Risks:</p> <ul style="list-style-type: none"> The savings will rely on a further service review and the implementation of a new technology system for sport and leisure 		200
New refuse and recycling service	<ul style="list-style-type: none"> A new refuse and recycling strategy will be developed with anticipated reduced running costs. It will be a strategy fit for a modern and green city We will look at options to improve staff welfare and provide a resilient service, whilst aiming to improve recycling rates Numerous options to be considered in a phased approach. <p>Risks:</p> <ul style="list-style-type: none"> The Environment Act 2021 (see above). Depending on the model capital and revenue investment may be needed. 		1000
Neighbourhood Services - Discretionary service reductions	<ul style="list-style-type: none"> A review will be undertaken, and the services will be reprioritised and a new service plan created matching the new levels of capacity. There will need to be reductions in staff to deliver this saving <p>Risks:</p>	300	0

	<ul style="list-style-type: none"> • This is likely to result in an overall reduction in service quality and level. • Staff will be less able to take on partnership, community, or engagement activities • There may be redundancies and associated cost. 		
Contact and Support - service reduction	<ul style="list-style-type: none"> • A review is being done on current opening hours for the telephone contact centre which will include response rates for telephony and emails. It is likely that there will be an improved pattern of opening hours and increased response rates. • New customer service standards will be developed and published which will include new opening times and updated response times. <p>Risks:</p> <ul style="list-style-type: none"> • Need to implement the new service approach. 	100	100
Consolidation of housing functions in CCC and CBH	<ul style="list-style-type: none"> • We will consolidate some General Fund housing services which are currently distributed across both CBH and CCC in multiple departments • By consolidating them, duplication and management costs can be reduced <p>Risks:</p> <ul style="list-style-type: none"> • Impacts need to be identified and risks will be mitigated by generating efficiencies from management and reduced duplication 	100	100
Museums - service reorganisation	<ul style="list-style-type: none"> • Increase income targets, utilise business rate savings and improve income generation through digitisation and fundraising <p>Risks:</p> <ul style="list-style-type: none"> • Relationship management 	60	0
Museums – service remodelling	<ul style="list-style-type: none"> • Review our service model to improve efficiency <p>Risks:</p> <ul style="list-style-type: none"> • Relationship management 	0	100
Environmental Health - service reduction	<ul style="list-style-type: none"> • Review to reduce the FTE in Environmental Protection and Food Safety by 0.5 FTE each • Increase income for PSH by £17K <p>Risks:</p> <ul style="list-style-type: none"> • Redundancy and reduced capacity. 	50	0
Sub total:		810	1,500

Strategy Theme	Asset Management		
Introduction to Theme	CCC owns a significant number of land and property assets which can be used to bring in income. By proactively managing these assets, income can be maximised, and costs reduced.		
Identified savings			
Title of saving	Benefits, Issues, Risks and Impact	23/24 £000's	24/25 £000's
Property Group 0 lease Re-gear	<ul style="list-style-type: none"> • One off premium <p>Risks:</p> <ul style="list-style-type: none"> • Normal commercial considerations. 	10	0
Property Group 1	<ul style="list-style-type: none"> • Planning permission has been granted • One off £30K premium agreed if it proceeds <p>Risks:</p> <ul style="list-style-type: none"> • Normal commercial considerations. 	30	0
Property Group 2 Other asset management initiatives	<ul style="list-style-type: none"> • Arising in year includes easement requests, lease re-gears <p>Risks:</p> <ul style="list-style-type: none"> • Normal commercial considerations. 	75	0
Property Group 3	<ul style="list-style-type: none"> • 3 units available <p>Risks:</p> <ul style="list-style-type: none"> • Normal commercial considerations. 	30	0
Property Group 4 lettings service charge and NNDR income	<ul style="list-style-type: none"> • Service charge and NNDR income on 3 units to be let <p>Risks:</p> <ul style="list-style-type: none"> • Normal commercial considerations. 	10	0
Property Group 5 service charge and NNDR income	<ul style="list-style-type: none"> • NNDR saving of £8K per annum and Service charge of £15K income on property to be let <p>Risks:</p> <ul style="list-style-type: none"> • Normal commercial considerations. 	23	0
Reduce energy consumption	<ul style="list-style-type: none"> • We are currently recruiting an Energy Manager to identify opportunities to reduce energy usage • Early innovation ideas could include speed/RPM control motor for pool heating at Leisure World which will reduce energy use <p>Risks:</p> <ul style="list-style-type: none"> • Inevitably some savings will require capital investment first, e.g. sub-meters • Some options may require a reduction in opening times for services, or more attention to patterns of use and energy "awareness" 	100	100
		Sub total:	278
			100

Strategy Theme	Digital Innovation		
Saving	Benefits, Issues, Risks and Impact	23/24 £000's	24/25 £000's
Payment processing system	<ul style="list-style-type: none"> Review of the costs of processing payments and the assessment has found potential savings of £40K Merchant services transfer process will be fully managed and paid for by Lloyds Bank <p>Risks:</p> <ul style="list-style-type: none"> Procurement and Legal requirements to finalise 	20	20
Sport and Leisure system review	<ul style="list-style-type: none"> Review all Sport and Leisure systems and options which will be modern and should be more efficient New Sport and Leisure systems should also enhance and enable increased income for the service <p>Risks:</p> <ul style="list-style-type: none"> Need to ensure staff are trained and able to run/develop new systems for resilience and digital focus. 	0	50
Contact and Support telephony automation	<ul style="list-style-type: none"> The replacement of an outdated and limited-support contact centre (Voice Only) with a full Contact Centre (Voice / Email / Chat Bot / Agent Chat) will enable more automation and should lead to resource efficiencies. There will be more options to develop and build automation and optimisation for customer contact Phase 1 early 2023 Voice, Email, and Secure Pay. Phase 2 Chat Bot, Agent Chat, Social Media 23-24. <p>Risks:</p> <ul style="list-style-type: none"> Contact and Support large change programme 	0	20
New Finance system	<ul style="list-style-type: none"> There is a procurement saving as we implement a new finance system <p>Risks:</p> <ul style="list-style-type: none"> Other demands on scarce finance team resources 	0	25
New Finance system process efficiencies	<ul style="list-style-type: none"> New system more efficient processes and automation New processes to illuminate data input and duplication Processes and e-communications will cut out costs in staff resources and print and post <p>Risks:</p> <ul style="list-style-type: none"> Other demands on scarce finance team resources 	0	25

Sub total: 20 140

Total: (£000's) 3,080 2,758

