



Budget and Treasury Reports Supplement for

FINANCE AND MANAGEMENT OVERVIEW AND SCRUTINY COMMITTEE - WEDNESDAY,
7TH DECEMBER, 2022

| Agenda No | Item |
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| 5. | <u>2023/24 First Draft Budget and Medium Term Financial Strategy (Pages 5 - 26)</u> |
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Purpose:

To provide an update on the developing budget for 2022/23.

Recommendation:

That the report be noted and the Committee submits comments to Cabinet as it wishes.

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| 6. | <u>Treasury Management Update (Pages 27 - 34)</u> |
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Purpose:

To advise members of the treasury and management activity and the performance of internal and external funds for the period 1st April 22 – 30th Sept 22.

Recommendation:

That Treasury Management and the performance of internal and external Pooled funds' activity for the period 1st April 22 – 30th Sept 22 are noted.

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| 7. | <u>2021/22 Treasury Outturn (Pages 35 - 40)</u> |
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Purpose:


To advise members of Treasury Management activity and the performance of internal and external funds for 2021/22.

Recommendation

That Treasury Management activity and the performance of internal and external funds for 2021/22 are noted.

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Agenda Item 5

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|  <p>WEST OXFORDSHIRE DISTRICT COUNCIL</p> | <p>WEST OXFORDSHIRE DISTRICT COUNCIL</p> |
| <p>Name and date of Committee</p> | <p>Financial Management Overview and Scrutiny Committee Wednesday 7th of December</p> |
| <p>Report Number</p> | <p>Agenda Item No. 5</p> |
| <p>Subject</p> | <p>Update of 2023/24 budget</p> |
| <p>Wards affected</p> | <p>All</p> |
| <p>Accountable member</p> | <p>Cllr Dan Levy Cabinet Member for Finance Email: dan.levy@westoxon.gov.uk</p> |
| <p>Accountable officer</p> | <p>Elizabeth Griffiths, Section 151 Officer Email: elizabeth.griffiths@westoxon.gov.uk</p> |
| <p>Summary/Purpose</p> | <p>This report provides an update on the developing budget for 2023/24</p> |
| <p>Annexes</p> | <p>Annex A – Detail of base budget changes by service area Annex B – Prior year comparison Annex C – Growth requests Annex D – Draft Capital Programme Annex E – Draft MTFS – v1 & 2 Annex F – MTFS Graphs</p> |
| <p>Recommendation</p> | <p>That the report be noted and that the committee submits comments to Cabinet as it wishes</p> |
| <p>Corporate priorities</p> | <p>Modern Council Services and Sustainable Finance: Delivering excellent modern services whilst ensuring the financial sustainability of the Council</p> |
| <p>Key Decision</p> | <p>No</p> |
| <p>Exempt</p> | <p>No</p> |

I. BACKGROUND

- 1.1. Each year the Council prepares its budget for the following year. The Council's funding from the government finance settlement will not be known until mid to late December 2022 so this first draft of the budget for 2023/24 is an early indication of our financial position and is subject to change.

2. MAIN POINTS

- 2.1. For several years now we have been forecasting an expected drop in funding. This has meant that each year we tend to forecast that while funding is sufficient for the current year, a reduction in future year's funding will cause us to have a budget deficit. Predicting Govt funding ahead of the late December settlement confirmation has always been a speculative exercise but the last few years have created even more uncertainty. Cycles of funding changes, such as baselines being reset on rates, were broken by the onset of the pandemic which saw huge amounts of central Govt cash being distributed through furlough schemes and business support grants. This has been followed by political turmoil and uncertainty and global economic upheaval. It is unclear how much funding the Govt will give to Councils this year and the expectation is that it is likely to be constrained by the huge costs suffered through the pandemic.
- 2.2. While we have operated for several years now under the threat of funding cuts, what we did not foresee was the huge rise in inflation in 2022. Even without any actual growth, in the same way that residents have seen their household bills increase exponentially, the Council is experiencing huge rises in the cost of external contracts, consumables, utility costs, borrowing costs and project expenditure. This of course aligns to a large increase in wage costs which, while less than inflation, is still a significant increase to our budget.
- 2.3. While we wait for confirmation of our funding, it's clear that the double impact of a steep rise in costs, coupled with an expected reduction in funding, leaves us with a gap that can only be filled in the short term by utilising our reserves. These protects us next year but this is clearly an unsustainable position and we must quickly pull our budget back within our funding envelope.
- 2.4. As part of our forward planning, and in line with our expectation of funding cuts, we have kept our costs very tightly controlled over the past few years and taken surpluses to reserves where possible. This has the double benefit that our current baseline budget is quite tightly controlled and we do have sufficient reserves to cover next year's deficit. As above though, this can only be temporary. It allows us time to take remedial action but we will have to identify and take those actions or we will relatively quickly drain those reserves.
- 2.5. The Council had already put in place an investment strategy to generate additional income and had initiated efficiency projects in areas like Waste. While we have been quick to seize potential opportunities for investment, they have proved to be few and far between and the current economic climate has put further pressure on these not only in terms of future returns but also on the cost of borrowing. As the unexpected surge in inflation has widened the budget gap it's clear that while we will press on with these plans they remain helpful and important but are no longer sufficient to address the extent of the problem.

- 2.6. The table below shows the key changes to the budget and expected funding that have changed a £1.6m surplus in 2021/23 into an expected £1.85m deficit in 2022/23, a swing of almost £3.5m.

| | | |
|---|-------------|------------------------------|
| 2022/23 budget surplus | | (1,609,731) |
| Budget Movements | £ | £ |
| <u>Changes in expenditure</u> | | |
| Pay Inflation & Councillors Allowances | 845,485 | |
| Electricity & Gas Inflation | 253,171 | |
| Leisure Income Contingency | 558,613 | |
| Recycling sorting cost increase | 80,000 | |
| Loss of on street parking income | 169,390 | |
| One off growth reversal | (772,000) | |
| Ubico Contract cost increase | 754,099 | |
| Other adjustments identified in budget meetings | (133,912) | |
| Interest on external borrowing | 539,518 | |
| | | <hr/> 2,294,363 |
| <u>Changes in income</u> | | |
| Waste Collection fees to Parish Councils | (50,000) | |
| Proposed Garden Waste licence increase by £5 | (124,635) | |
| Other fees & charges increases | (90,621) | |
| Income expected from Investment Recovery Strategy | (1,142,396) | |
| Other adjustments identified in budget meetings | 23,940 | |
| Additional property rental income | (114,325) | |
| | | <hr/> (1,498,037) |
| <u>Changes in funding</u> | | |
| MRP | 431,339 | |
| Business Rates | 102,000 | |
| Council Tax | (339,072) | |
| Council Tax surplus | 75,000 | |
| Use of Earmarked Reserves | 293,987 | |
| New Homes Bonus | 2,378,105 | |
| 2022/23 Service Grant | 148,000 | |
| Revenue Support Grant | 79,268 | |
| Potential Replacement Government Funding | (500,000) | |
| | | <hr/> 2,668,627 |
| 2023/24 DRAFT BUDGET SHORTFALL | | <hr/> 1,855,222 <hr/> |

- 2.7. Through the pandemic, large amounts of additional grant funding was given to the Council to provide additional support to the community and much of this was used to fund multiple fixed term posts. This funding, as expected, is finite and the term of these posts is coming to an end.

Many of the service areas have asked for these roles to be made permanent but in the absence of the temporary additional funding that has paid for them for the last couple of years, these would be permanent additional strains on the budget.

- 2.8. Publica officers were asked to bring forward efficiency requests for inclusion in the budget. This resulted in several initiatives being proposed. While the detail of them is still being reviewed, any that made it through the initial review by CExs, and are currently being investigated, have been included in the list of potential growth at Annex C. Some are shared posts or shared teams working across more than once Council. Where they are expected to generate compensating income or reduced costs, this has been noted. Where they require the agreement of all Councils to fund them this has been clarified. If WODC could choose to fund a smaller amount of additional resource on their own, this has also been noted on the table.
- 2.9. A short summary of growth requests not included in the budget draft is shown below with fuller detail included in Annex C.

| Growth Requests | £ | £ |
|--|----------|----------------|
| Climate Change Manager | 53,030 | |
| Market Towns Officer | 35,960 | |
| Democratic Services Assistant | 12,033 | |
| Biodiversity Land Management Post | 46,859 | |
| Climate Change Post | 39,137 | |
| Healthy Community Post (Voluntary Sector) | 13,035 | |
| Healthy Place Shaping Post | 48,641 | |
| Families First Project Post | 34,979 | |
| Domestic Abuse & Rough Sleeping Specialist | 40,325 | |
| Woodgreen Reception/Executive Assistant | 41,275 | |
| Finance Business Partner | 19,114 | |
| HR Specialists x 3 | 25,000 | |
| Waste Partnership Manager | 10,250 | |
| Empty Homes Co-Ordinator | 8,060 | |
| Head of Commercial | 95,100 | |
| Environment and Regulatory Services additional resource | 32,000 | |
| Flooding/Land Drainage Post | 45,000 | |
| Asset Management Post | 63,000 | |
| Cyber Security Post | 53,390 | |
| Planning Policy Post - additional support for Local Plan | 35,185 | |
| | | 751,373 |
| Additional contribution for Local Plan review | 250,000 | |
| Capital expenditure on new Planning software | 166,000 | |
| | | 416,000 |

- 2.10. Three of the posts above have already been converted to permanent posts during the year based on reports brought forward for consideration, namely the Climate Change Manager, the Market Towns Officer and the Cyber Security Post. They will inevitably be added to the

baseline budget at some point because they are now permanent but for the coming year there is the option to carry on funding them from the earmarked reserves that have been used to fund them in 2021/22.

2.11. The key changes to our budget from 21/22 to 22/23 are as follows:

- Increases in salaries driven by inflation.
- Sharp increases in utility costs and fuel – this has of course had a disproportionate impact on Ubico’s budget whose costs include the waste vehicle fleet
- Uncertainty around the future income from the Leisure centres. GLL, our leisure operator, hold the utility risk in the contract and the huge increase in costs coupled with reduced usage is pushing the centres into a loss making situation.
- Additional investment income – although this expectation is slightly offset, at least in the short term, by higher than anticipated borrowing costs
- Proposed £5 increase in Council Tax
- Expected loss of New Homes Bonus and uncertainty around other grant funding
- The reversal of one off growth items, for example, last year we included an additional £650k budget for the Local Plan review. Unspent funds from this year will be rolled to next but there is a request in the growth items for an additional £250k which has not yet been included in the budget

2.12. Council Tax is proposed to increase by £5 on a band D property. Tax base has increased by 1.96% and we have forecast that business rates won’t have their baseline reset till 2025.

2.13. The draft Capital Programme in Annex D lists all potential capital expenditure in 2023/24. Some current projects may not be completed in 2022 and be included as “slippage” in the final review of the current financial year with the recommendation that they are carried forward to 2023/24. As always, inclusion in the Capital Programme at this stage is so that we ensure that we capture potential borrowing requirements and give visibility to potential programmes. It does not mean that spend is authorised – in most cases a business case will need to be brought forward for review – and it does not mean that the cash or budget is available and can therefore be spent elsewhere if plans change.

2.14. The Medium Term Financial Strategy (MTFS) at Annex E shows an increasing budget gap in future years. This is because we expect the baseline reset of business rates that has been deferred for several years now to happen in the medium term at the latest. While it should be noted that, for obvious reasons, the further into the future we project, the less certainty there is around the numbers, it’s of paramount importance that we realise that this is where the danger lies. The Council has sufficient reserves to cover any shortfall arising in 2023/24 but if we increase base budget we widen the funding gap not only next year but in every subsequent year, meaning that permanent increases in base budget have an exponential effect on our future financial stability.

2.15. 2 versions of the MTFS have been appended. One including the growth requests, one without. This shows the impact of additional growth on our budget. Even if we add none of it, without further intervention we will deplete reserves in 2026/27. With the additional growth to the budget we deplete them just beyond the end of the 2025/26 financial year. The graphs in Annex F show the impact ongoing of not reducing our budget. If we choose to spend next year funding

shortfalls from reserves then we must make alterations during the year that bring the budget back into balance in order to prevent the outcomes shown in the current forecast.

3. KEY RISKS AND NEXT STEPS

- 3.1. As part of our contract with our Leisure provider, GLL, the rapidly rising costs of utilities in our Leisure Centres falls to them, but while contractually this is the position, this increase, which is outside of our budget but expected to be an additional £620k in 2023, jeopardises the income from our Leisure Centres to the Council - which should be rising to almost £1.8m per year and is a contractual income that the Council is heavily reliant on to fund other core services.
- 3.2. The pandemic changed the way that many people viewed Leisure Centres. With their mandated closure, customers were forced to find alternative ways to exercise, either investing in home equipment or using DVDs or apps. There has been a huge uptake of new products that allow users to connect to classes or training programmes from their own homes. Between this change in consumer habits and the current cost of living crisis, usage of the leisure centres has not returned to pre-pandemic levels.
- 3.3. Many of the facilities on offer around the district have always been loss making and disproportionately expensive to run but were supplemented by some of the more profitable elements. With those now also making a loss and utility costs rising exponentially, our Leisure service is the single highest financial risk we currently face. Swimming pools can account for up to 80% of the utility cost of a leisure centre so these issues have a much higher impact in Council owned facilities where typically the desire is to provide a large pool to give sufficient space for swim classes.
- 3.4. There is currently one shared resource between the three Publica Councils who looks after the contracts operationally. Included in the growth requests is a “Head of Commercial” post. There is an urgent requirement, at least over the next couple of years, to work on behalf of the Council to turn the centres around. This needs to cover everything from the much needed repairs in Chipping Norton to improving the marketing reach, bringing forward new activities to meet the changing demands of our residents, thereby encouraging increased usage of the centres, and designing and delivering a strategic response to the current situation.
- 3.5. We have already taken the short term decision to amend pool opening hours, allowing them to be closed and covered to retain heat at times of the day when they are currently very underused. This will help, but the savings over winter will be in the tens of thousands set against losses which are in the hundreds of thousands. It’s entirely possible that we could have to close some facilities in order to reduce our losses and keep the main centres open. This will of course require careful and close management but what’s at stake is not only millions of pounds of contractual income, but the ongoing viability of our Leisure provision in the district.
- 3.6. The costs of delivering our Waste service have also risen year on year for the last few years with unavoidable pressures this year pushing the budget up by three quarters of a million. A project was already underway to bring in external consultants to identify any efficiency savings that could be implemented. This has identified an improved method of recycling which not only increases the levels of recycling but potentially saves a million pounds per year that we currently pay in processing costs. There is a cost of change associated with this and that is currently being assessed and reviewed. This possibility to lower costs is obviously very

welcome but again, will need to be supported at a strategic level over the next few years to see it successfully implemented. If appointed, the Head of Commercial would be expected to be accountable for both areas.

- 3.7. As the Council pursues its Agile Working strategy, we expect to see our Elmfield offices freed up during 2023 and therefore able to be rented out to generate an additional income to the Council.
- 3.8. 2022/23 looks set to be a good year in terms of our ambitions to invest with two potential projects currently in due diligence. It should be remembered though that last year only a fraction of the expected budget was spent and while the MTFS carries an expectation of high levels of investment over the next few years, these are our ambitions but appropriate opportunities may not present themselves.
- 3.9. The list of growth requests is long. It's a mixture of new posts and existing posts where the fixed term contract is coming to an end. Clearly with a huge budget deficit before these posts are taken into consideration, we cannot afford to simply add them in. Requests should be evaluated on the basis of whether they support a core service, whether they are either income generating or loss preventing, and if we have no option but to have that post, the question should be asked as to whether that requirement is temporary or permanent. More clarity on what we can afford will be available by Christmas when we know our funding settlement but the argument remains, growth to base budget, even if temporarily funded this year would be an additional strain in future years widening the expected gap – and would negate the benefit of some of the savings programmes we are trying so hard to implement.
- 3.10. In our forecast we have assumed that the rebasing of business rates, which was anticipated several years ago and is expected to reduce the Council's business rates income by around £1.5m, will not happen till 2025. This is unconfirmed and this change could happen sooner.
- 3.11. We await the outcome of the Government settlement in a few weeks' time which will clarify our funding position. A speculative £500k of additional funding has been added to the budget in the hope that if the Govt does remove a large proportion of our funding next year, something will be given to offset that.

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Detail of base budget changes by cost centre**Annex A**

| | 2022/23 budget | Pay inflation | Reverse one offs | Budget change | 2023/24 budget | 2021/2022 Actual | 2022/2023 Budget | 2023/2024 Estimate |
|-----------------------------|-------------------|---------------|---------------------|------------------|-------------------|---------------------|---------------------|-----------------------|
| Assets | (2,757,694) | 60,279 | | 90,084 | (2,607,331) | (3,012,728) | (2,757,694) | (2,607,331) |
| Waste & Environmental | 6,485,483 | 24,571 | | 584,203 | 7,094,256 | 6,157,860 | 6,485,483 | 7,094,256 |
| Comms & Marketing | 165,158 | 11,539 | | 90 | 176,787 | 125,464 | 165,158 | 176,787 |
| Contracts | (255,532) | 13,780 | | 556,699 | 314,947 | 1,229,105 | (255,532) | 314,947 |
| Corporate Finance | 1,744,832 | 88,627 | | (284,725) | 1,548,734 | 3,098,291 | 1,744,832 | 1,548,734 |
| Corporate Responsibility | 1,482,436 | 45,795 | (97,000) | 141,962 | 1,573,193 | 1,305,438 | 1,482,436 | 1,573,193 |
| Customer Experience | 1,010,417 | 88,945 | | 36,879 | 1,136,241 | 762,652 | 1,010,417 | 1,136,241 |
| Development Management | 494,210 | 146,094 | | (15,143) | 625,162 | 344,540 | 494,210 | 625,162 |
| Env'l & Regulatory Services | 95,748 | 7,174 | | 10 | 102,932 | 91,563 | 95,748 | 102,932 |
| Finance | 750,015 | 43,282 | | 6,982 | 800,279 | 733,264 | 750,015 | 800,279 |
| Insight & Intelligence | 1,171,647 | 35,478 | (650,000) | (8,730) | 548,395 | 529,498 | 1,171,647 | 548,395 |
| Localities | 642,402 | 23,208 | | (24,389) | 641,221 | 540,972 | 642,402 | 641,221 |
| Operational Services | 1,241,235 | 124,683 | (25,000) | 110,137 | 1,451,056 | 1,327,612 | 1,241,235 | 1,451,056 |
| People | 276,205 | 19,725 | | | 295,931 | 266,156 | 276,205 | 295,931 |
| Technology | 1,180,850 | 93,103 | | 75,628 | 1,349,581 | 1,042,561 | 1,180,850 | 1,349,581 |
| | 13,727,413 | 826,285 | (772,000) | 1,269,687 | 15,051,385 | 14,542,247 | 13,727,413 | 15,051,385 |

Assets:

This budget covers our operational buildings, commercial properties and our climate change programme. The impact of rising utility costs in 2023/24 is estimated at £227,000 for our operational buildings which is in part offset by anticipated additional rental income of £112,000 (not full year) for our Elmfield offices from Q2 next year. Most of the payment plans for our Investment Property income, put into place during the pandemic have now come to an end with the staff in this department successfully recovering a significant amount of the deferred rent from 2020/21 & 2021/22 and now working with our credit controller to manage ongoing.

The Climate Change programme has benefited from significant investment in additional fixed term resource in the last two financial years in order to help deliver on the Council's Priorities. There is over £100,000 in earmarked reserves which will fund initiatives going forward.

Waste & Environmental:

This budget covers grounds maintenance and waste and contains large parts of the Ubico budget. Work is being carried out to develop a range of options to deliver long term revenue savings from the Waste Service to offset the unsustainable annual increases seen in the last 3 financial years. The income budget for Green Waste has been increased by £124,000 reflecting a proposed uplift of £5 in license fees for 2023/24.

The Ubico budget has yet to be finalised but an initial increase of £754,000 has been included in this draft of the budget for 2023/24. This figure reflects the general uplift in pay inflation in response to the cost of living crisis, the significant increase in fuel costs and other inflationary pressures around goods and services.

Communications and Marketing:

Individual Business Managers have input into their marketing spend but work directly with the specialists in the Comms team who bring their expertise to each task and find the most effective and cost efficient way to reach the largest number of people. It is a priority to increase our engagement with residents via Social Media as well as more traditional channels. There are no material changes to the 2023/24 budget.

Contracts:

The main item in this budget is the Leisure contract. The expected growth in budget comes from an income contingency offsetting 50% of the contracted Management Fee due for the year, shown in the table above. GLL, who have the contract to operate the Leisure Centres are doing their best to return to a profitable operation and the Council are contractually entitled to receive the full Management Fee, however the substantial rise in utility costs, estimated to be an increase of £620k since 2019 coupled with a huge drop in facility usage since the pandemic, is delaying that return to profitability which in turn jeopardises the viability of our leisure offering. Steps are being taken to reduce losses in the short to medium term while we work with GLL to try to stabilise and improve the situation. Leisure contract income forms a huge part of the Council's revenue and is a crucial source of income which underwrites other core activities. The current situation in this service area represents one of the largest ongoing threats to

Corporate Finance:

This section covers centralised services like Legal and Treasury. The large reduction in expenditure reflects the culmination of Fixed Term posts funded by grants or specific earmarked reserves and brought in to support the Council's Covid response which expire at the end of the 2022/23 financial year. There are no other significant changes in the 2023/24 budget.

Corporate Responsibility:

These are central governance costs, members costs, election costs etc. The one off adjustment in the table reflects the reversal of the interim Monitoring Officer post in the 2022/23 budget and the one off additional contribution to the CAB for their continued Covid response. The recurring growth in the table includes the creation of a new Strategic Director of Governance which will encompass the responsibilities of the Monitoring Officer on a permanent basis.

Customer Experience:

There are a variety of services contained in this area from Customer Services and Front of House to Homelessness.

Development Management:

Planning application, appeals, conservation and flood defence are covered by this budget which has seen a modest increase in both income and costs. There is a risk around Planning income in 2023/24 that the high cost of borrowing and level of inflation could delay both major and domestic applications coming forward until the economic situation is more certain. At this stage, the income budget has been retained at the same level as 2022/23 but this may change in the final version of the budget as more intelligence is gathered.

Environmental and Regulatory Services:

There are no significant changes to highlight in this budget although a growth request has been put forward for additional resource.

Finance:

There are no significant changes to highlight in this budget although a growth request has been put forward for additional resource.

Insight and Intelligence:

The main focus of this budget is planning policy. The review of the Local Plan is underway and will finish in 2023/24. £650,000 was included in the base budget in 2022/23 to fund this extensive piece of work plus an additional £100,000 put into earmarked reserves from the General Fund surplus last financial year. While the £650k is no longer part of the base budget and the reversal of the one off growth item can be seen in the table. Unspent funds from the 2022/23 allocation will be available to spend on this next year and an additional request for funding forms part of the growth requests. The increased estimated cost to complete the work is mainly driven by the breakdown of the joint Oxfordshire plan which means that more work will have to be done by individual Councils.

Localities:

These are the budgets for communities, arts and tourism. There is a fixed term contract post that is coming to an end at the beginning of 2023/24 but there are no other material changes to this budget.

Operational Services:

This department covers all aspects of benefit payments and revenue collection, including fraud investigation. It also covers Car Parking, Pollution Control, Food Safety and Markets. There are a number of modest revenue savings that have been identified and removed from legacy budget lines. There is material growth in this budget from the transfer of On Street Parking Enforcement to Oxfordshire County Council on 1st April 2023 with a loss of budgeted income to this Council of £169,000. We would expect to see a saving in the Publica resource budget to partially offset this as fewer wardens will be required going forward.

People:

People covers human resources and training. There are no significant changes to highlight in this budget although a growth request for additional funding has been received.

Technology:

This budget predominantly covers ICT. There are increases in software licence support & maintenance to reflect the current market rate increases, which are linked to inflation. These rises have been deferred and negotiated down where possible and, as much as we can, we've found or generated savings to offset them. Additional cyber security protection is required to increase the Council's resilience and is included in the base budget as part of the software licence support costs.

2023/24 Proposed Revenue Budget comparison to prior year

Annex B

| 2021/2022 Actual £ | Expenditure by Service Area | 2022/2023 Budget £ | 2023/2024 Estimate £ |
|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| (3,012,728) | Assets | (2,757,694) | (2,607,331) |
| 6,157,860 | Waste & Environmental | 6,485,483 | 7,094,256 |
| 125,464 | Communications & Marketing | 165,158 | 176,787 |
| 1,229,105 | Contracts | (255,532) | 314,947 |
| 3,098,291 | Corporate Finance | 1,744,832 | 1,548,734 |
| 1,305,438 | Corporate Responsibility | 1,482,436 | 1,573,193 |
| 762,652 | Customer Experience | 1,010,417 | 1,136,241 |
| 344,540 | Development Management | 494,210 | 625,162 |
| 91,563 | Environmental & Regulatory Services | 95,748 | 102,932 |
| 733,264 | Finance | 750,015 | 800,279 |
| 529,498 | Insight & Intelligence | 1,171,647 | 548,395 |
| 540,972 | Localities | 642,402 | 641,221 |
| 1,327,612 | Operational Services | 1,241,235 | 1,451,056 |
| 266,156 | People | 276,205 | 295,931 |
| 1,042,561 | Technology | 1,180,850 | 1,349,581 |
| 14,542,248 | Total Cost of Services | 13,727,413 | 15,051,385 |
| 2021/2022 Actual £ | Expenditure by Type | 2022/2023 Budget £ | 2023/2024 Estimate £ |
| 1,632,693 | Employees | 1,029,844 | 1,201,486 |
| 1,494,279 | Premises Related Expenditure | 1,283,494 | 1,560,865 |
| 12,595 | Transport Related Expenditure | 16,500 | 16,310 |
| 6,170,304 | Supplies & Services | 5,523,807 | 4,857,628 |
| 17,681,346 | Third Party Payments | 18,569,718 | 19,804,649 |
| 18,481,453 | Transfer Payments | 15,112,480 | 15,112,480 |
| 1,723,465 | Capital Charges | 1,769,650 | 1,731,690 |
| 47,196,135 | Total Cost | 43,305,493 | 44,285,108 |
| (32,655,391) | Income | (29,578,080) | (29,233,723) |
| 14,540,744 | Total Cost of Services | 13,727,413 | 15,051,385 |

2023/24 Proposed Revenue Budget comparison to prior year

Annex B

| | 2022/2023 Budget £ | 2023/2024 Estimate £ |
|---|--------------------------|----------------------------|
| Total Cost of Services | 13,727,413 | 15,051,385 |
| Capital Expenditure funded through revenue | 540,100 | 540,100 |
| Minimum Revenue Provision | 454,902 | 886,241 |
| Temporary loans interest | 0 | 0 |
| Interest on Long Term Borrowing | 102,857 | 642,375 |
| Capital charges - depreciation and amortisation | (1,769,650) | (1,731,690) |
| Net Operating Expenditure | 13,055,622 | 15,388,411 |
| Treasury and Investment Income | (1,139,501) | (2,244,624) |
| Net Expenditure | 11,916,121 | 13,143,787 |
| <u>Contributions to / (from):</u> | | |
| General Fund Balance | 1,609,731 | (1,855,223) |
| Net contribution to / (from) Earmarked Reserves | (826,239) | (532,252) |
| Balance to be met from Government Grants & Council Tax | 12,699,613 | 10,756,312 |
| Transfers to / (from) Collection Fund | (210,394) | (135,394) |
| Revenue Support Grant | (79,268) | 0 |
| New Homes Bonus | (2,378,105) | (500,000) |
| Rural Services Delivery Grant | (133,225) | (133,225) |
| 22/23 Services Grant | (148,000) | 0 |
| Lower Tier Grant | (96,000) | (96,000) |
| Renewable Energy Schemes | (211,745) | (209,745) |
| Retained Business Rates (NNDR) | (4,161,675) | (4,061,675) |
| Net Requirement | 5,281,201 | 5,620,273 |
| Taxbase | 46,172.42 | 47,078.85 |
| Council Tax (at Band D) | £114.38 | £119.38 |

| Post | Details | Cost | FTE | Additional comments |
|--|---|--------|------|--|
| Democratic Services Asst | Currently there are 2.2 FTE permanent staff in the team which is not sufficient to support 49 Councillors and a busy meeting schedule. This 22hr post supports the production of committee agendas, Forward Plan and Members Allowances. | 12,033 | 0.59 | WODC specific |
| Biodiversity Land Management Officer | This post has delivered Land Management Plans, established the Windrush in Witney Partnership and is contributing to the Biodiversity projects under the Prosperity Fund. The benefits of making the post permanent are being able to deliver key priorities of the Climate Change Strategy, be the lead delivery officer for Biodiversity net gain, project manage the Biodiversity Toolkit and support volunteer & community projects | 46,859 | 1.00 | WODC specific |
| Climate Change Officer | This post had implemented the Council's Carbon Action Plan, developed a PSDS bid for Carterton Leisure Centre and designed the Impact Assessment Tool to evaluate the sustainability of Council Priorities and projects. The benefits of the post being permanent are the management and development of the Impact Assessment Tool, assist in decarbonisation projects and provide recommendations on recycling and waste opportunities | 39,137 | 1.00 | WODC specific |
| Healthy Community Officer (Voluntary Sector) | Request to extend the current 0.5 FTE to 1 FTE, post fell vacant in September 2022 | 13,035 | 0.50 | WODC specific |
| Healthy Place Shaping Officer | To embed healthy place shaping approach into the policies and practices of the Council. Was a FT project focused 2 year post. Project timespan is coming to an end. | 48,641 | 1.00 | WODC specific |
| Families First Project Officer | The post was created in 2017 and currently manages a caseload of 30 families who have complex issues and have some sort of threat to their accommodation. The post actively intervenes at an early stage to provide a full package of support to include liaising with Landlords, arranging debt advice, provision of equipment to prevent domestic abuse and dealing with multi agency referrals. Benefits of the post becoming permanent are the ongoing intensive support of vulnerable families, supporting them to stay in their own homes which provides benefits across health, social care and education. If a family has to be housed in temporary emergency accommodation, the irrecoverable cost to the Council is in the region of £1,000 per week. | 34,979 | 1.00 | WODC specific |
| Domestic Abuse & Rough Sleeping Specialist | The post was created in response to the significant rise in Domestic Abuse cases needing a housing solution coming to the Council. The post supports a number of Domestic Abuse victims and entrenched Rough Sleepers who require intensive support and is a specialist area outside of the Housing Team's Prevention activities. | 40,325 | 1.00 | WODC specific |
| HR Specialists x 3 | HR is the beating heart of an organisation, ensuring that the most important asset, it's people, operate to the optimum level. Investment in this department will increase its capacity through hiring 3 specialists. This in turn will increase HR's capability and elevate the service, partnering strategically hand in glove with the wider businesses. Ultimately it is to enable the HR function to effectively support the drive for increased productivity and efficiencies through our people and processes from ever limited resources. The HR functionality is the key to unlocking the organisational potential, and that of its people. It is imperative we develop our culture and diversity, whilst communicating our broader offering, break down the silos, to not only attract best-in-class talent, but also to support the development of in-house talent, that we retain and grow over a longer time. This will reduce spend on agency fees by further developing the recruitment and talent team, create succession planning and targeted career pathways. | 25,000 | 3.00 | Shared posts. Would either require the other Councils to agree or would cost more for West to fund alone. |
| Waste Partnership Manager | WODC contributes 10k p.a. towards the total cost of £80,477 this year. The contributions are based on £50k from county, £10k x 5 WCAs to cover salary, on costs, and give a little bit of budget for conferences, projects etc as they arise. In addition to being responsible for coordinating county-wide waste and recycling organising the meetings and agenda content, supporting the chair etc. The postholder has a wealth of industry knowledge and contacts, which has proved immensely valuable in our responding to the Government consultations surrounding the Environment Bill and the implications for local authorities. With 2024 and the new waste service coming, translation of the new legislation policies is going to be the next big issue faced and with no guidance coming from Government on how Extended Producer Responsibility (EPR) or Deposit Return Scheme (DRS) is going to operate, there's going to need to be work done to support the implementation and protect the Oxfordshire Partner Councils interests. If the Partnership Manager post is removed, then the partnership will simply fold as there isn't the necessary resource available at any of the Oxfordshire authorities to take this on. | 10,250 | 1.00 | Shared post across County |
| Woodgreen Reception/Executive Asst | The change of administration at WODC has had a significant impact on the current Executive Assistant. The demands on her time, when coupled with her role providing support to the Management Team and the return to civic events (which are currently exceptionally high) means that she is struggling to meet the requirements of the role. Some temporary support is being provided via an agency at a cost of £600 per week. In addition Reception cover has been requested at the Woodgreen office as the decision was previously made to focus customer interaction on the Town Centre location. | 41,275 | 1.00 | WODC specific Hopefully if the new flexible chamber and committee rooms can be rented out this post could coordinate that and set rooms up and this additional income would offset some of the cost. |

| Post | Details | Cost | FTE | Additional comments |
|--|--|----------------|-----------|---|
| Finance Business Partner | The demands on the Finance team with increased audit requirements and a requirement for more support being given to other areas of the business has meant that additional resource is needed. More work required to determine exactly where the best place to add this in the structure is. | 19,114 | 1.00 | Shared post. Forest potentially supportive dependent on where this sits in the structure. |
| Empty Homes Co-Ordinator | Dealing with empty properties can have social, regenerative, financial and strategic benefits. To support this a Long Term Empty Strategy 2019-2024 was implemented across all 3 Districts and an Empty Home Coordinator post created. The post has contributed to 1,574 properties being removed from the long term empty database across the 3 partnership Councils since April 2021. The post is directly responsible for investigating properties reported to be empty, working with individual owners encouraging property sales. People purchasing empty homes increase local economic activity by providing for new expenditure on the houses themselves. The effect on the local economy goes beyond the immediate spend by the homeowner and each £1 spent will generate further economic activity that would not have existed without it. Empty homes are prone to anti-social behavior and can lock communities into a spiral of decline. The cost of dealing with this can fall to the emergency services with the cost of a single fire service callout being £1,970 and the police around £1,000. | 8,060 | 0.81 | Shared post |
| Head of Commercial | Recruitment of a post to manage the strategic management of waste and leisure. If we can't turn Leisure around we risk reputational damage, the loss of services and circa £1.5m income per year. The waste service will have multiple challenges over the next few years with the implementation of the revised service design to unlock financial savings. Once in post, additional resource may be required to support the waste and leisure services (marketing, financial management of customer payments etc) but the post holder should determine and present a case for these. | 95,100 | 1.00 | WODC specific This post is aimed at turning around the Leisure service on a strategic level and the amount of income at stake far outweighs the cost. |
| Environment and Regulatory Services | To cover regulatory duties and include the expansion of HMO licensing, dealing with poor housing conditions in the private rented sector, the better regulation of caravan and campsites and traveller sites and the processing of new fit and proper person applications, the capacity to enforce the Minimum Energy Efficiency Regulations, to engage with housing work targeted at energy efficiency and fuel poverty, to meet our air quality management responsibilities, ensuring the monitoring and delivery of the new action plans and meeting the new requirements of the Environment Act 2021, and to be able to respond effectively to an increasing number of private water supply investigations as a result of tightening regulations. | 32,000 | 3.00 | 3 shared posts. If not supported by the other Councils then a WODC specific officer aimed at Housing inspections could be recruited. |
| Flooding/Land Drainage | Additional capacity to be shared with one other Council in the partnership | 45,000 | 0.50 | Shared post |
| Asset Management | Replacement for current consultancy spend. Should generate equivalent savings if not more. WODC has a large estate portfolio and an appetite to invest over the coming years. This post would support that. | 63,000 | 1.00 | WODC specific - should generate at least equivalent savings |
| Cyber Security | This is the additional Cyber resource already approved by Cabinet. Council approval as a growth item is required to add it to budget. | 53,390 | 1.00 | WODC specific |
| Climate Change Manager | Fixed term post made permanent. Post already approved by cabinet, currently funded from priorities reserve. This can either continue being funded from there for 23/24 or be added to the budget as growth. | 53,030 | 1.00 | WODC specific |
| Market Towns Officer | Post was a Covid funded post ref regeneration of high streets. Now moving on to rural prosperity fund. Post already approved by cabinet, currently funded from priorities reserve. This can either continue being funded from there for 23/24 or be added to the budget as growth. | 35,960 | 1.00 | WODC specific |
| Planning Policy Officer | This post was backfilling for resource seconded to the FOP but a continuation is requested to support the work on the Local Plan. May be able to extend the fixed term rather than making permanent. May be able to find grant funding. | 35,185 | 1.00 | WODC specific |
| Total | | 751,373 | 22 | |
| Digital Transformation of Development Management | This is a shared cost across three Public Councils to facilitate Planning moving to a better software platform that allows on site access to the system bringing increased efficiency to the service. | 166,000 | | One off capital spend |
| Revenue | Additional funding for the Local Plan review. Original budget was set before the breakdown of the Oxfordshire Plan | 250,000 | | One off additional budget |
| | | 416,000 | | |

| Scheme | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 | Total £ |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|--------------------|
| IT Provision - Systems & Strategy | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 1,000,000 |
| Deployment of High Speed Broadband | 1,230,366 | | | | | | | | | | 1,230,366 |
| Update Financial Management System (Agresso) | | 25,000 | | | | | | | | | 25,000 |
| Idox System Upgrade (Planning) | | 150,000 | | | | | | | | | 150,000 |
| Play Parks | 100,000 | | | | | | | | | | 100,000 |
| Council Buildings Maintenance Programme | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 2,000,000 |
| IT Equipment - PCs, Copiers etc | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 400,000 |
| Improvement Grants/Disabled Facilities Grants | 807,750 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 | 8,007,750 |
| Community Grants Fund | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 2,000,000 |
| EVCP Woolgate | 167,000 | | | | | | | | | | 167,000 |
| Affordable Housing | 1,761,875 | | | | | | | | | | 1,761,875 |
| Electric vehicle recharging points | 200,000 | | | | | | | | | | 200,000 |
| Replacement dog and litter bins | 25,000 | 25,000 | 25,000 | 25,000 | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 | 172,000 |
| Weighbridge at Bulking Station | | | 25,000 | | | | | 25,000 | | | 50,000 |
| Replacement Street Sweepers | | | | | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | | 1,000,000 |
| Ubico Fleet - Replace Vehicle Hire Costs | 1,080,000 | | 1,080,000 | | | | | | | | 2,160,000 |
| In-cab technology | | | 40,000 | | | | | | | | 40,000 |
| Shop Mobility - Replacement stock | 10,000 | | | | 10,000 | | | | 10,000 | | 30,000 |
| CCTV upgrading | 300,000 | | | | | | | | | | 300,000 |
| Carterton Swinbrook Public Art (S106) | 44,500 | | | | | | | | | | 44,500 |
| Chipping Norton Creative Project | 28,297 | | | | | | | | | | 28,297 |
| Raleigh Crescent Play Area (s. 106) | 75,000 | | | | | | | | | | 75,000 |
| Chipping Norton LC roof replacement | | 1,000,000 | | | | | | | | | 1,000,000 |
| Madley Park Playing Field project | 6,165 | | | | | | | | | | 6,165 |
| Cottsway - Lavendar Place Affordable Housing | 99,000 | | | | | | | | | | 99,000 |
| Cottsway - Blenheim Court Growth Deal | 170,500 | | | | | | | | | | 170,500 |
| Carterton Leisure Centre Upgrade PSDS | 1,300,000 | | | | | | | | | | 1,300,000 |
| Replacement waste and recycling fleet | | 2,000,000 | 4,500,000 | | | | | | | | 6,500,000 |
| Town Centre Shop building renovation project | 51,197 | | | | | | | | | | 51,197 |
| Investment Strategy for Recovery | 22,599,538 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 9,000,462 | | | | | 71,600,000 |
| | 30,596,188 | 14,540,000 | 17,010,000 | 11,365,000 | 11,562,000 | 10,552,462 | 1,552,000 | 1,577,000 | 1,562,000 | 1,352,000 | 101,668,650 |

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Medium Term Financial Strategy Updated November 2022

Annex E (I)

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 |
|--|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Inflation | | | 5% | 3% | 2% | 2% | 2% | 2% | 2% | 2% |
| Taxbase | 1.0279 | 1.0196 | 1.018 | 1.016 | 1.020 | 1.020 | 1.020 | 1.020 | 1.020 | 1.020 |
| Base | 13,518,681 | 13,055,622 | 14,246,015 | 14,912,332 | 15,801,818 | 16,023,219 | 15,972,195 | 15,840,761 | 15,937,992 | 16,106,908 |
| Inflationary uplift | | | 712,301 | 447,370 | 316,036 | 320,464 | 319,444 | 316,815 | 318,760 | 322,138 |
| Inflation - Publica | 502,649 | 517,121 | | | | | | | | |
| Inflation - Electricity & Gas | | 253,171 | | | | | | | | |
| Inflation - Ubico | (39,335) | 754,099 | | | | | | | | |
| Leisure contract contingency | | 575,813 | | | | | | | | |
| MRP movement | 332,431 | 431,339 | 252,500 | 260,500 | 252,500 | | (96,430) | 29,000 | (60,429) | |
| Interest on External Borrowing | (75,193) | 539,518 | 470,464 | 228,188 | 264,134 | 239,392 | 251,552 | 87,402 | (89,415) | (79,129) |
| One-off growth - reversal of prior year | (32,500) | (772,000) | | | | | | | | |
| Recurring growth | 355,922 | 33,728 | | | | | | | | |
| Budget growth items pending approval | 263,072 | | | | | | | | | |
| Covid income reduction | (1,770,104) | | | | | | | | | |
| Investment Strategy income | | (1,142,396) | (768,948) | (46,571) | (611,269) | (610,880) | (606,000) | (335,986) | | |
| Target Budget (NOE) | 13,055,622 | 14,246,015 | 14,912,332 | 15,801,818 | 16,023,219 | 15,972,195 | 15,840,761 | 15,937,992 | 16,106,908 | 16,349,917 |
| Financed by: | | | | | | | | | | |
| Revenue Support Grant | 79,268 | | | | | | | | | |
| Business Rates Share & Renewables | 4,373,420 | 4,271,420 | 4,271,420 | | | | | | | |
| Baseline Funding Level post 2022 | | | | 2,461,375 | 2,461,375 | 2,461,375 | 2,461,375 | 2,461,375 | 2,461,375 | 2,461,375 |
| New Homes Bonus | 2,378,105 | | | | | | | | | |
| Potential Government replacement funding | | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 |
| Rural & Lower Tier grants | 229,225 | 229,225 | | | | | | | | |
| Investment Income - Pooled Funds | 1,139,501 | 1,102,228 | 1,137,499 | 1,173,899 | 1,211,464 | 1,250,231 | 1,290,238 | 1,331,526 | 1,374,135 | 1,418,107 |
| Use of earmarked reserves | 826,239 | 532,252 | 418,669 | 392,410 | 354,314 | | | | | |
| Collection Fund | 210,394 | 135,394 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Council Tax | 5,281,201 | 5,620,273 | 5,960,944 | 6,299,780 | 6,674,105 | 7,060,883 | 7,460,463 | 7,873,201 | 8,299,465 | 8,739,630 |
| Use of GF reserves | (1,609,731) | 1,855,223 | 2,523,799 | 4,874,354 | 4,721,962 | 4,599,706 | 4,028,685 | 3,671,890 | 3,371,933 | 3,130,805 |
| TaxBase | 46,172 | 47,078 | 47,925 | 48,692 | 49,666 | 50,659 | 51,672 | 52,706 | 53,760 | 54,835 |
| Band D | 114.38 | 119.38 | 124.38 | 129.38 | 134.38 | 139.38 | 144.38 | 149.38 | 154.38 | 159.38 |
| Tax increase | 4.57% | 4.37% | 4.19% | 4.02% | 3.86% | 3.72% | 3.59% | 3.46% | 3.35% | 3.24% |
| General fund balance | 13,328,681 | 11,473,458 | 8,949,660 | 4,075,305 | (646,656) | (5,246,363) | (9,275,048) | (12,946,938) | (16,318,871) | (19,449,676) |

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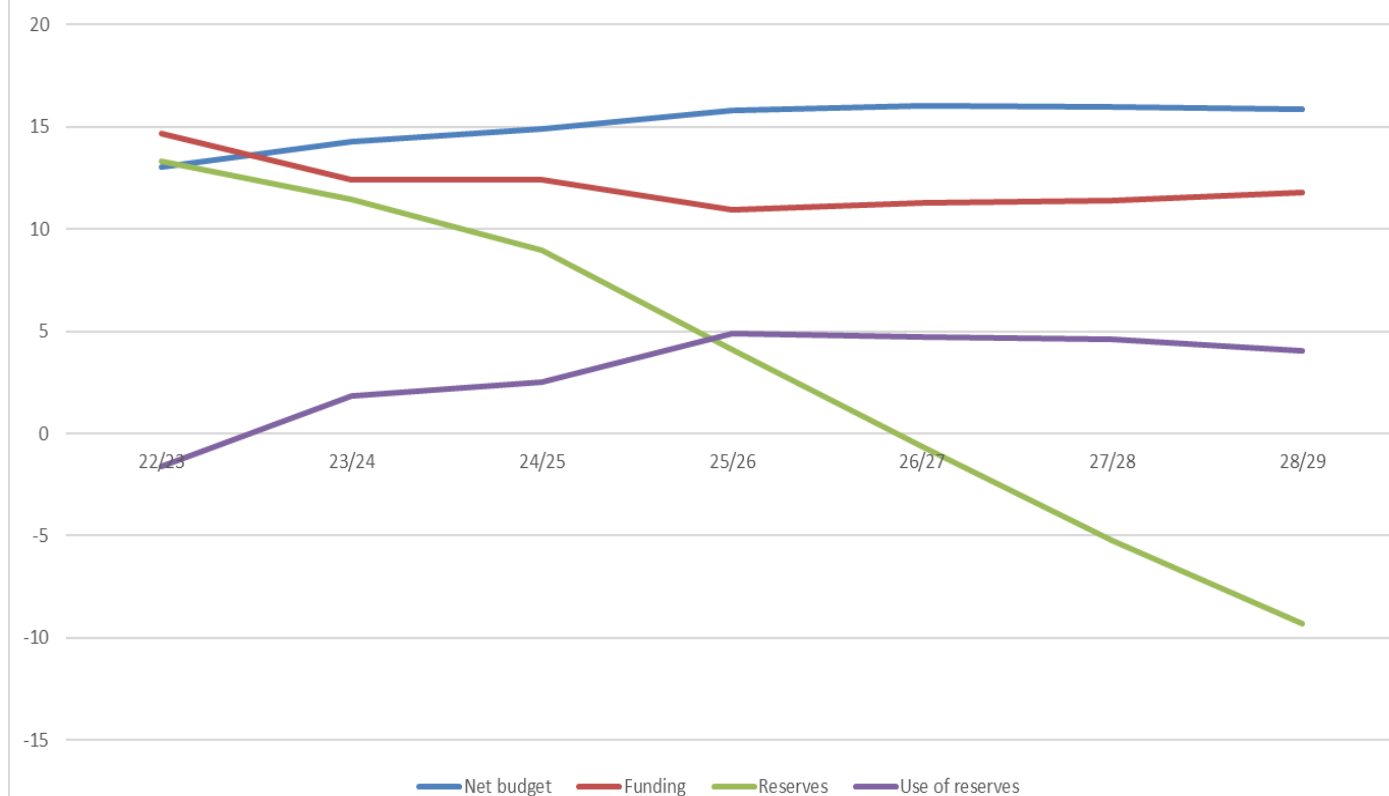
Medium Term Financial Strategy Updated November 2022 - including growth requests

Annex E (2)

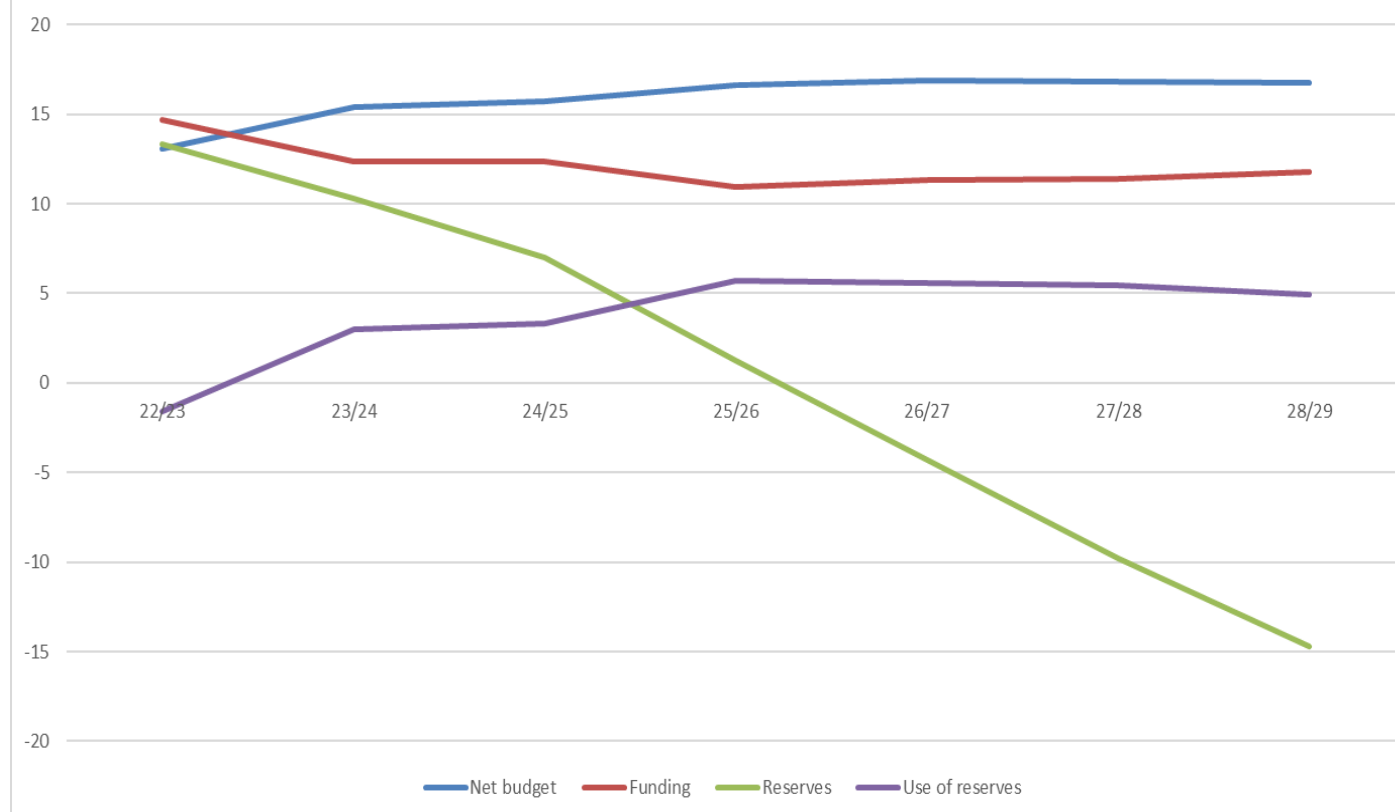
| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 |
|--|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Inflation | | | 5% | 3% | 2% | 2% | 2% | 2% | 2% | 2% |
| Taxbase | 1.0279 | 1.0196 | 1.018 | 1.016 | 1.020 | 1.020 | 1.020 | 1.020 | 1.020 | 1.020 |
| Base | 13,518,681 | 13,055,622 | 15,413,388 | 15,722,073 | 16,635,852 | 16,873,934 | 16,839,924 | 16,725,845 | 16,840,777 | 17,027,749 |
| Inflationary uplift | | | 770,669 | 471,662 | 332,717 | 337,479 | 336,798 | 334,517 | 336,816 | 340,555 |
| Inflation - Publica | 502,649 | 517,121 | | | | | | | | |
| Inflation - Electricity & Gas | | 253,171 | | | | | | | | |
| Inflation - Ubico | (39,335) | 754,099 | | | | | | | | |
| Leisure contract contingency | | 575,813 | | | | | | | | |
| MRP movement | 332,431 | 431,339 | 252,500 | 260,500 | 252,500 | | (96,430) | 29,000 | (60,429) | |
| Interest on External Borrowing | (75,193) | 539,518 | 470,464 | 228,188 | 264,134 | 239,392 | 251,552 | 87,402 | (89,415) | (79,129) |
| One-off growth - reversal of prior year | (32,500) | (356,000) | (416,000) | | | | | | | |
| Recurring growth | 355,922 | 33,728 | | | | | | | | |
| Budget growth items pending approval | 263,072 | 751,373 | | | | | | | | |
| Covid income reduction | (1,770,104) | | | | | | | | | |
| Investment Strategy income | | (1,142,396) | (768,948) | (46,571) | (611,269) | (610,880) | (606,000) | (335,986) | | |
| Target Budget (NOE) | 13,055,622 | 15,413,388 | 15,722,073 | 16,635,852 | 16,873,934 | 16,839,924 | 16,725,845 | 16,840,777 | 17,027,749 | 17,289,175 |
| Financed by: | | | | | | | | | | |
| Revenue Support Grant | 79,268 | | | | | | | | | |
| Business Rates Share & Renewables | 4,373,420 | 4,271,420 | 4,271,420 | | | | | | | |
| Baseline Funding Level post 2022 | | | | 2,461,375 | 2,461,375 | 2,461,375 | 2,461,375 | 2,461,375 | 2,461,375 | 2,461,375 |
| New Homes Bonus | 2,378,105 | | | | | | | | | |
| Potential Government replacement funding | | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 |
| Rural & Lower Tier grants | 229,225 | 229,225 | | | | | | | | |
| Investment Income - Pooled Funds | 1,139,501 | 1,102,228 | 1,137,499 | 1,173,899 | 1,211,464 | 1,250,231 | 1,290,238 | 1,331,526 | 1,374,135 | 1,418,107 |
| Use of earmarked reserves | 826,239 | 532,252 | 418,669 | 392,410 | 354,314 | | | | | |
| Collection Fund | 210,394 | 135,394 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Council Tax | 5,281,201 | 5,620,273 | 5,960,944 | 6,299,780 | 6,674,105 | 7,060,883 | 7,460,463 | 7,873,201 | 8,299,465 | 8,739,630 |
| Use of GF reserves | (1,609,731) | 3,022,596 | 3,333,540 | 5,708,388 | 5,572,676 | 5,467,435 | 4,913,769 | 4,574,675 | 4,292,774 | 4,070,062 |
| TaxBase | 46,172 | 47,078 | 47,925 | 48,692 | 49,666 | 50,659 | 51,672 | 52,706 | 53,760 | 54,835 |
| Band D | 114.38 | 119.38 | 124.38 | 129.38 | 134.38 | 139.38 | 144.38 | 149.38 | 154.38 | 159.38 |
| Tax increase | 4.57% | 4.37% | 4.19% | 4.02% | 3.86% | 3.72% | 3.59% | 3.46% | 3.35% | 3.24% |
| General fund balance | 13,328,681 | 10,306,085 | 6,972,545 | 1,264,157 | (4,308,519) | (9,775,955) | (14,689,723) | (19,264,398) | (23,557,173) | (27,627,235) |

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WODC Budget, Funding & Reserves £m - no growth



WODC Budget, Funding & Reserves £m - with growth



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| | |
|---|--|
|  <p>WEST OXFORDSHIRE DISTRICT COUNCIL</p> | <p>WEST OXFORDSHIRE DISTRICT COUNCIL</p> |
| <p>Name and date of Committee</p> | <p>FINANCE AND MANAGEMENT OVERVIEW AND SCRUTINY COMMITTEE WEDNESDAY 7 DECEMBER 2022</p> |
| <p>Report Number</p> | <p>Agenda Item No. 6</p> |
| <p>Subject</p> | <p>TREASURY MANAGEMENT ACTIVITY AND PERFORMANCE 2022/23</p> |
| <p>Wards affected</p> | <p>All</p> |
| <p>Accountable member</p> | <p>Cllr Dan Levy Cabinet Member for Finance Email: dan.levy@westoxon.gov.uk</p> |
| <p>Accountable officer</p> | <p>Elizabeth Griffiths, Chief Finance Officer and Deputy Chief Executive Tel: (01993) 861188 Email: Elizabeth.Griffith@westoxon.gov.uk</p> |
| <p>Summary/Purpose</p> | <p>To advise Members of the Treasury and management activity and the performance of internal and external funds for the period 1st April 2022 – 30th Sept 2022</p> |
| <p>Annexes</p> | <p>N/A</p> |
| <p>Recommendations</p> | <p>That Treasury Management and the performance of internal and external Pooled funds' activity for the period 1st April 2022 – 30th Sept 2022 are noted</p> |
| <p>Key Decision</p> | <p>No</p> |
| <p>Exempt</p> | <p>No</p> |

I. SUMMARY

- 1.1. Historically, West Oxfordshire District Council has been in a positive cash position, financing its capital programme from working capital and investing the positive cash flows in a range of instruments that gave a balanced approach to security, liquidity and returns.
- 1.2. Over recent years officers have advised the Council that it was moving towards a position where it would need to borrow externally to support future investment in the capital programme.

- 1.3. To date, investment has been at a much lower level than anticipated and officers have managed the financing of the capital programme using internal borrowing, which is in effect avoiding taking on external debt by using other cash inflows generated by either trading activities or from monies being held for other purposes. This is a sensible solution while this cash is available because over the last few years while interest rates were exceptionally low, it was a more cost effective form of capital financing to avoid borrowing than to hold balances in cash. However, with a relatively large scale investment imminent and a desire to further invest in the short to medium term, the Council will need to commence external borrowing and consider recalling at least one pooled investment fund. As at 31 March 2022, the Council's accounts stated that the Capital Financing Requirement (the level of financing for capital required from either internal or external sources) was £25.868m and to date this has all been financed through internal borrowing.
- 1.4. WODC hold discussions with the Council's Treasury Management advisors, Arlingclose, to review the portfolio of investments and seek their recommendations on any that should be liquidated from a risk perspective or any underperforming funds that should be recalled ahead of external borrowing. This assessment identified one underperforming fund for early redemption. Some other funds were ruled out when considering redemption on the grounds that they had recently lost a large amount of their capital value and redemption would crystallise their loss. These funds are being monitored to ensure that the expected recovery materialises. During October and November the capital value recovered by £669,856, 37% of the value lost, leaving a loss of £1,196,404 remaining for 2022/23. While Arlingclose advise that recovery could take up to 5 years, the huge levels of fluctuation in a very short period of time are indicative of the extreme volatility and unpredictability that we have suffered this year.
- 1.5 Cash-flow forecasts show that the Council expects to need to borrow £10m before the end of the financial year in order to fund two capital transactions currently in progress. New processes are being defined to reduce the need for working capital in order to minimise the amount of external borrowing required.
- 1.6 Borrowing from external sources remains an option for West Oxfordshire. There are two main sources for accessing loans with relative simplicity - other local authorities and the Public Works Loans Board (PWLb) but all available sources of financing will be considered.
- 1.7 The ongoing conflict in Ukraine has continued to put pressure on global inflation and the economic outlook for UK and world growth remains weak. The UK political situation towards the end of the period following this 'fiscal event' increased uncertainty further. The economic backdrop during the April to September period continued to be characterised by high oil, gas and commodity prices, ongoing high inflation and its impact on consumers' cost of living, no imminent end in sight to the Russia-Ukraine hostilities and its associated impact on the supply chain, and China's zero-Covid policy.
- 1.8 On 23rd September the UK government, following a change of leadership, announced a suite of measures in a 'mini budget', loosening fiscal policy with a view to boosting the UK's trend growth rate to 2.5%. With little detail on how government borrowing would be returned to a sustainable path, financial markets reacted negatively. Gilt yields rose dramatically by between 0.7% - 1% for all maturities with the rise most pronounced for shorter dated gilts.

- 1.9 The April-September period was a very difficult period for bonds. The increase in policy rates in the UK, US and Eurozone and the prospect of low to no growth and a recessionary period ahead meant it was also a challenging period for equities. The FTSE All Share index fell from 4187 on 31st March to 3763 on 30th September. The fall in equity valuations is reflected in the equity and multi-asset income funds, details are shown in the table below. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates.
- 1.10 The returns on the portfolio generally are on target with a forecast of £670K against a budget of £663K.

2. INVESTMENT PERFORMANCE

Performance Achieved for the period is shown below:-

| Performance of Fund April 2022 to 30 September 2022 (annualised returns) | In-House | Bonds | Pooled Funds | Extended Loans | Social Housing REIT |
|--|----------|-------|--------------|----------------|---------------------|
| Net Return | 1.22% | 4.75% | 4.17% | 2.86% | 2.45% |

The total investments income return is 2.91%, 0.85% above 121 Local Authorities average rate (Figures supplied by Arlingclose).

- 2.1. The table below shows the current valuations of the Pooled Funds portfolio at the end of September 2022 compared with the values at the close of the 2021/22 financial year. In the first six months of the year, we have seen a capital loss of £1,896,260, equivalent to 11.85% of the original capital investment due to unprecedented economic times. However, since the change in Prime Minister and the appointment of a new Chancellor, bringing a new confidence in the market, there has been a capital gain across all funds of £699,856 in October and November. It is expected that we will see a continued recovery in capital value as the economy recovers but this could take up to 5 years.
- 2.2. Dividend returns have seen a slight increase against expected compared with this time last year. The table below shows the current valuations of the Pooled Funds portfolio at the end of September 2022 compared with the values at the close of the 2021/22 financial year.

In April 2022 an additional £2m each was invested into the CCLA Diversified fund and the Aegon-Kames monthly diversified funds. At the time the advice was received the capital value for both funds was favourable and the dividend return achieving 2.50% and 5.06% respectively. The capital loss shown in the table below was gradual between April and August which is attributed to the effect on the economy of the war in Ukraine and the fuel crisis and onset of the cost of living crisis, all factors which were hoped to be short term. The far more significant losses of 8.33% for CCLA and 15.84% for Kames occurred in September and was caused by the Truss mini budget. Both of these unforeseen events had an unprecedented effect on the market and therefore the capital value of West Oxfordshire's existing and newly made investments.

Pooled funds performance is shown in the table below:

| | Initial Investment | 01/04/2022 Fund Value | Purchase of Additional Units | 30/09/2022 Fund Value | Dividends paid out in 2022/23 as at 30 September | Gain / (Loss) for 2022/23 | Gain / (Loss) to Initial Principal |
|-------------------------------|--------------------|-----------------------|------------------------------|-----------------------|--|---------------------------|------------------------------------|
| | £ | £ | £ | £ | £ | £ | £ |
| Payden & Rygel – Cash+ | 2,000,000 | 2,022,253 | | 1,967,842 | 13,366 | (54,411) | (32,158) |
| Royal London Investment Grade | 1,982,791 | 1,907,033 | | 1,707,128 | 24,431 | (199,905) | (275,663) |
| UBS – Bond / Equity | 2,000,000 | 1,753,180 | | 1,467,989 | 50,674 | (285,191) | (532,011) |
| M&G Strategic – Bond | 2,000,000 | 1,950,281 | | 1,612,887 | 33,182 | (337,394) | (387,113) |
| Schroders – Equity | 1,000,000 | 936,380 | | 767,264 | 43,688 | (169,116) | (232,736) |
| Threadneedle - UK Equity | 1,000,000 | 1,047,851 | | 925,472 | 16,643 | (122,379) | (74,528) |
| CCLA Diversified | 1,000,000 | 1,033,970 | 2,000,000 | 2,781,390 | 46,213 | (252,580) | (218,610) |
| Aegon/Kames Diversified | 1,000,000 | 1,000,826 | 2,000,000 | 2,525,543 | 98,125 | (475,283) | (474,457) |
| | | | | | | | |
| September 2022 Total | 11,982,791 | 11,651,774 | 4,000,000 | 13,755,514 | 326,322 | (1,896,260) | (2,227,277) |

Payden Sterling Reserve Fund – The fund invests in a diversified range of sterling-denominated, highly-rated and very liquid government agency securities and corporate fixed – and floating-rate and covered bonds. The Fund is currently returning 1.32% annualised. It has a current loss of just over £32k

UBS Multi-Asset Income Fund – The fund seeks to provide an income, through a diversified portfolio of investments in bonds and equities. The fund is over achieving and is currently returning an income of around 5.7% against expected 4.85%. However, the fund is valued at circa £532k less than the amount invested.

M&G Strategic Corporate Bond Fund - The aim of the Fund is to provide income and capital growth, through a top-down approach of the fund manager's economic outlook determining the fund duration, the sector allocation and stock concentration. It invests primarily in investment grade corporate bonds. Returns are likely to be around 3.4% against a budgeted return of 3.1%. The capital value has reduced by over £387k against the invested amount.

Royal London Short Dated Credit Fund – The Fund aims to offer income and capital growth by investing in a diversified portfolio of investment grade short dated bonds (issued by

companies and organisations which meet the Fund's predefined ethical criteria). These bonds will include corporate bonds, asset backed securities, floating rate notes, UK government bonds and supranational and agency bonds. Income return is estimated at around 2.56% slightly higher than budgeted return. The value of the fund is under £275k less than originally invested.

Schroder Income Maximiser Fund – The Fund's investment objective is to provide income with potential for capital growth primarily through investment in equity and equity related securities of UK companies. The fund aims to deliver a target yield of 9.6% per year and in its first quarter returned 9.33% annualised. This fund has seen a £233k fall in capital value since its original investment.

CCLA Diversified Income Fund – The aim of the fund is to provide a balanced return from income and capital growth over time. The portfolio invests with UK and overseas equities, property, bonds and cash. The fund aims to achieve a 3.5% annual return. Current returns for the first half annualised are 3.05%. This fund has seen just under £219k fall in capital value against the amount invested.

Threadneedle UK Equity Income Fund - The aim of the Fund is to provide income with the potential to grow the amount invested. The Fund invests at least two-thirds of its assets in shares of UK companies. The Fund aims to achieve slow returns of income but also growth on the capital invested. The fund aims to return between 2.5% and 3.5% and is currently achieving 3.18%. The capital value of this fund is just under £74.5k less than the amount invested.

Kames Diversified Monthly Income Fund - The investment objective is to generate income with a target yield of approximately 7.5% per annum, with the potential for capital growth over the medium term (being any 5 year period). The fund is currently achieving 6.54% to date but is £474k down in capital value against the original amount invested.

3. FUNDAMENTUM SOCIAL HOUSING REIT

- 3.1 In November 2019 the Council invested £1m into the new Fundamentum Social Housing REIT that purchases property and holds long-term leases with Housing Associations who house vulnerable adults. For the six months to September 2022 West Oxfordshire has received dividends of £12,625 achieving a return of 2.45%. The quarter to September dividend has been declared at 2.85%pa, and increased returns are expected to continue as the portfolios of properties increases and a full annual rental income is received. The net asset value (NAV) of the investments has increased to £1.04 per share, a capital increase of £40k.

4. ECONOMIC AND INTEREST RATE FORECAST

- 4.1. UK interest rate expectations have eased following the explosive mini budget, with a growing expectation that UK fiscal policy will now be tightened to restore investor confidence, adding to the pressure on household finances. The peak for UK interest rates will therefore be lower, although the path for interest rates and gilt yields remain highly uncertain.
- 4.2. The UK economy is already experiencing recessionary conditions, with business activity and household spending falling. Tighter monetary and fiscal policy, alongside high inflation will put pressure on household disposable income. The short to medium term outlook for the UK economy is bleak, with the BoE projecting a protracted recession.
- 4.3. Following the exceptional 75 bp rise in November, Arlingclose believe the MPC will slow the rate of increase at the next few meetings. Arlingclose now expects Bank Rate to peak at 4.25 with a further 50 bp rise in December and smaller rises in 2023. The UK economy entered a recession in Q3, which will continue for some time. Once inflation has fallen from peak, the MPC will cut Bank Rate.
- 4.4 As can be seen from the table below Arlingclose's view on interest rates is that they will peak at 4.25 and start reducing from Q3 2024.

| | Current | Dec 22 | Mar 23 | Jun 23 | Sep 23 | Dec 23 | Mar 24 | Jun 24 | Sep 24 | Dec 24 | Mar 25 | Jun 25 | Sep 25 |
|--------------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Official Bank Rate | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.25 | 0.50 | 0.75 | 1.00 | 1.00 | 1.00 | 1.25 | 1.50 | 1.75 | 1.50 | 1.25 | 1.25 |
| Central case | 3.00 | 3.50 | 4.00 | 4.25 | 4.25 | 4.25 | 4.25 | 4.00 | 3.75 | 3.50 | 3.50 | 3.50 | 3.50 |
| Downside risk | 0.00 | 0.25 | 0.50 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

5. FINANCIAL IMPLICATIONS

- 5.1 Investment income in the Authority's 2022/23 budget was set with the expectation that interest rates on short-term investments would remain low in the long term. However, due to unprecedented economic events, the Bank of England had to increase the Base Rate in unparalleled increases from 0.5 in March 2022 to 3% in November, to slow increasing inflation. Therefore, interest earned from short-dated money market investments and short-term deposits will be significantly higher.
- 5.2 The original investment interest budget for 2022/23 was set at £1,139,501 which was based on an average balance of £42.725 million from all the different type of investments (e.g. fixed term deposits, pooled funds, bonds) achieving an overall average return of 2.48%.


5.3 The analysis of the budget and estimated performance for the year is as follows:

| | 2022/23 Budget | 2022/23 Estimate Outturn |
|----------------------|-------------------|--------------------------------|
| Pooled Funds | 663,025 | 669,732 |
| In-House Investments | 100,000 | 275,100 |
| Housing REIT | 23,175 | 26,875 |
| Extended Loans | 288,233 | 288,233 |
| Bonds | 65,068 | 55,958 |
| Total | 1,139,501 | 1,315,898 |

Elizabeth Griffiths
Chief Finance Officer – West Oxfordshire DC

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|  <p>WEST OXFORDSHIRE DISTRICT COUNCIL</p> | <p>WEST OXFORDSHIRE DISTRICT COUNCIL</p> |
| <p>Name and date of Committee</p> | <p>FINANCE AND MANAGEMENT OVERVIEW AND SCRUTINY COMMITTEE WEDNESDAY 7 DECEMBER 2022</p> |
| <p>Report Number</p> | <p>Agenda Item No. 7</p> |
| <p>Subject</p> | <p>TREASURY OUTTURN 2021/22</p> |
| <p>Wards affected</p> | <p>All</p> |
| <p>Accountable member</p> | <p>Cllr Dan Levy Cabinet Member for Finance Email: dan.levy@westoxon.gov.uk</p> |
| <p>Accountable officer</p> | <p>Elizabeth Griffiths, Chief Finance Officer and Deputy Chief Executive Tel: (01993) 861188 Email: Elizabeth.Griffith@westoxon.gov.uk</p> |
| <p>Summary/Purpose</p> | <p>To advise members of Treasury Management activity and the performance of internal and external funds for 2021/22</p> |
| <p>Annexes</p> | <p>N/A</p> |
| <p>Recommendations</p> | <p>That Treasury Management activity and the performance of internal and external funds for 2021/22 are noted.</p> |
| <p>Key Decision</p> | <p>No</p> |
| <p>Exempt</p> | <p>No</p> |

Summary

The overall performance of our investments in 2021/22 was mixed, returning interest of £794,358 against a revenue budget of £787,778 but suffering an unrealised capital loss of 1.3% in the 12 months to 31st March 2022.

The capital value of our pooled funds was affected by prevailing economic conditions in world markets and negatively impacted by Covid, the war in Ukraine and inflation. The pooled funds are intended to be long term investments where short term fluctuations in capital value are expected but will provide capital appreciation over the long term.

There has been significant disruption in markets since the end of the last financial year caused by the unprecedented rise in energy costs, 10% inflation, the rises in Bank of England base rate and the measures introduced by the Liz Truss administration. The impact of this market turmoil on our investments has been both positive and negative but overall unfortunately, negative.

The Council will benefit from a much higher revenue return, estimated at £1.3m in 2022/23 but has suffered further unrealised capital losses, which stood at £1.8m at the end of September. Arlingclose have advised that the capital values of our pooled funds will recover but it will take up to 5 years to reverse the losses we have seen since April 2022. It is encouraging to see that there has been a 10.5% recovery of the capital value lost in 2022/23 during October and November.

No borrowing was undertaken in 2021/22, though the original plans set in February 2021 were to borrow to fund part of the capital programme. There were insufficient suitable investments available during 2021/22 so the need to externally borrow was delayed once more. Due to the cost of long term borrowing and the very low investment returns on short term cash, the strategy has been to internally borrow. Internal borrowing is a treasury management practice whereby the Council utilises its cash balances on a temporary basis until the original plans for the cash fall due. This delays the need to borrow externally.

The Council complied with all Prudential Indicators for 2021/22 as set in the February 2021 budget.

I. Investment Returns

- I.1 Interest earned in 2021/22 from investments held was £12,867 from short-term MMF deposits, and £781k from Long term; Pooled Funds, Extended Loans and Bonds. See Table 2 below for more detail. On an average investment balance of £43m with a return of 1.83%. Overall, a surplus of £6,580 was achieved for the financial year. Losses of £11,731 were made on the returns from Pooled Funds due to the lasting effect of COVID on the UK market. A small surplus was made on each of the REIT, External Loans, Fixed term deposits and Money Market Funds of £18,311 leaving a net surplus of £6,580 (see Table 2 below).
- I.2 Investments of £12m in Pooled Funds returned 2.94% in dividends and made unrealised loss of 1.28% (£151K) on its capital value compared to 2020/21 (see Table 1). The current capital values now stand at £11.652m, £348k lower than the original investments of £12m as at 31st March 2022. The loss was, in part, attributed to the economic pressures caused by the onset of the war in Ukraine at the start of 2022 and uncertainties that followed in the market.

2 Economic & Financial Markets Background

- 2.1 The continuing economic recovery from the coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues over the period.
- 2.2 UK CPI was 0.7% in March 2021 but thereafter began to steadily increase. Initially driven by energy price increases and by inflation in sectors such as retail and hospitality that were re-opening after the pandemic lockdowns, this inflation was initially believed to be temporary. Thereafter price rises slowly became more widespread, as a combination of rising global costs and strong demand was exacerbated by supply shortages and transport dislocations. The surge in wholesale gas and electricity prices led to elevated inflation expectations. CPI for February 2022 registered 6.2% year on year, up from 5.5% in the previous month and the highest reading in the National Statistic series.
- 2.3 Ultra-low interest rates prevailed throughout the majority of the financial year, with yields remaining at all-time lows. In December the Bank of England, reacting to the marked increase in inflation, increased the Bank Rate to 0.25% and hiked it a further 0.50% in February to 0.75%. This had the effect of seeing short-term deposit rates and Money Market Fund rates slowly start to increase to between 0.14% and 0.55% at the end of the financial year.

3. Investment Activities

- 3.1 A counterparty list recommended and reviewed by treasury management advisors Arlingclose was received monthly and the treasury team used this to evaluate options. At the end of the period Arlingclose had increased the majority of their approved counterparties to a recommended maximum duration of 100 days. Consistent with 2020/21, the majority of in-house balances were held in liquid MMF's, but toward the end of the year we were able to take advantage of short-term deposits with the UK Debt Management Office (DMO) achieving higher rates than the MMF's. This enabled continued working capital for the Council's activities and provided funding for the capital programme, without the need to borrow.
- 3.2 Both the CIPFA and the CLG's Investment Guidance require the Authority to invest prudently and have regard to the security and liquidity of investments before seeking the optimum yield. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2021/22. Investments during the year included:
- Investments in AAA-rated Stable Net Asset Value Money Market Funds
 - Call accounts and deposits with Banks and Building Societies that underpin the UK banking system
 - Pooled funds (collective investment schemes) meeting the criteria in SI 2004 No 534 and subsequent amendments
 - Real Estate Investment Trust (REIT)

- Housing Association Bond

4. Investment Background

- 4.1 The Authority held significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2021/22, the Authority investment balance ranged between £22.7 million and £37.3 million. On average the Council held £27.3m in treasury investments, not including Extended Loans, which is higher than usual largely due to the additional COVID grants.
- 4.2 Multiple years of funding the capital programme with internal borrowing have reduced cash reserves and the expectation is that there will be significantly reduced levels of invested short term and overnight funds going forward and the Council will need to borrow to fund future capital programmes. New processes are being put in place to manage cashflow more effectively and reduce the need for large buffers of cash on hand. Managing working capital more effectively reduces our need to borrow and ensures we are earning the maximum amount of return from long term pooled funds.

5. Externally Managed Funds

- 5.1 Eight years ago the authority decided to invest £12m over several pooled funds. Some of the original funds have been sold and then re-invested into new ones. The performance of each of the current Pooled Funds can be seen in the table below.

Table 1 - Current Pooled Funds

| Fund Manager | Investment | 31 st March 2021 | 31 st March 2022 | Dividends Received 2021/22 | 2021/22 Gain/(Loss) | Gain/(Loss) v Original Investment |
|----------------------|-------------------|-----------------------------|-----------------------------|----------------------------|---------------------|-----------------------------------|
| | £ | £ | £ | £ | £ | £ |
| Payden & Rygel (L) | 2,000,000 | 2,049,368 | 2,022,253 | 9,885 | (27,115) | 22,253 |
| UBS (B/E) | 2,000,000 | 1,844,708 | 1,753,180 | 80,136 | (91,528) | (246,820) |
| Schroders (E) | 1,000,000 | 844,976 | 936,380 | 60,199 | 91,404 | (63,620) |
| Threadneedle UK (E) | 1,000,000 | 984,746 | 1,047,851 | 33,371 | 63,105 | 47,851 |
| CCLA Div (B/E) | 1,000,000 | 988,176 | 1,033,970 | 24,693 | 45,794 | 33,970 |
| M&G Strategic (B) | 2,000,000 | 2,090,468 | 1,950,281 | 50,329 | (140,187) | (49,719) |
| Royal London (L) | 2,000,000 | 1,999,053 | 1,907,033 | 43,949 | (92,019) | (92,967) |
| Aegon (L) | 1,000,000 | 1,001,836 | 1,000,826 | 50,707 | (1,010) | 826 |
| Total –current funds | 12,000,000 | 11,803,331 | 11,651,773 | 353,269 | (151,558) | (348,226) |

(L = Liquidity, B= Bond, E= Equity)

- 5.2 These monies are invested in externally managed strategic pooled bond, equity and multi-asset funds where short-term security and liquidity are lesser considerations when

compared with short term cash deposits, and the objectives instead are regular revenue income and long-term price stability. In 2021/22, these funds generated an average total return of 1.70%, comprising a return of dividends of £353,269 (2.94%) income that is used to support services in year, and £151,558 (1.28%) of capital loss.

5.3 During the initial phase of the pandemic in March 2020, the sharp falls in corporate bond and equity markets had a negative impact on the value of the Council's pooled fund holdings and was reflected in the 31st March 2020 fund valuations with every fund registering negative capital returns over a 12 month period. These rallied in 2020-21 and in the first half of 2021-22 there was again improvement in the stock market values, however, capital values dipped in the latter half of the year. The funds were reviewed towards the close of 2021-22 with Arlingclose and it was decided to invest £2m more each into CCLA Diversified and Aegon at the start of 2022-23 in the expectation that the funds would appreciate. This has unfortunately not proved to be the case in 2022/23 for a variety of unforeseen global economic reasons.

5.4 The investment income budget for 2021/22 was set at £787,778 in February 2021. Actual investment receipts exceeded budget by £6,580 with the overall level of return of 1.83% and with an average investment balance of £27.3m for the financial year. The overall performance against the forecast is shown in the table 2 below:

Table 2 – Investment Performance

| Investment Performance: 1st April 2021 to 31st March 2022 | Pooled Funds | Working Capital | Housing Association Bond | Housing REIT | Extended Loans | Total |
|--|---------------------|------------------------|---------------------------------|---------------------|-----------------------|--------------|
| Budget (£) | 365,000 | 0 | 110,000 | 20,000 | 292,778 | 787,778 |
| Budgeted Return (%) | 3.04 | 0 | 4.75 | 2 | 2.45 | 1.69 |
| Average Balances (£) | 12,000,000 | 17,588,880 | 2,500,000 | 1,000,000 | 10,216,781 | 43,305,621 |
| Interest Earned (£) | 353,269 | 12,867 | 110,249 | 22,750 | 295,223 | 794,358 |
| Over/Under Budget (£) | (11,731) | 12,867 | 249 | 2,750 | 2,445 | 6,580 |
| Gross Rate of Return (%) | 2.94 | 0.07 | 4.41 | 2.28 | 2.89 | 1.83 |

6. Compliance with Prudential Indicators

6.1 The Council can confirm that it has complied with its Prudential Indicators for 2021/22, which were set in February 2021 as part of the Council's Treasury Management Strategy and Capital Strategy. In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2021/22. None of the Prudential Indicators have been breached and a prudent approach has been taking in relation to investment activity with priority being given to security and liquidity over yield.

6.2 Debt Limits

| | 2021/22 Maximum | 31.3.22 Actual | 2021/22 Operational Boundary | 2021/22 Authorised Limit | Complied? Yes/No |
|------------------------|--------------------|-------------------|------------------------------------|--------------------------------|---------------------|
| Borrowing | 0 | 0 | £42.4m | £47.4m | Yes |
| PFI and Finance Leases | 0 | 0 | 0 | 0 | N/A |
| Total debt | 0 | 0 | £42.4 | £47.4m | |

The Authority's chief objective when borrowing will be to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required.

7. Looking Forward

7.1 The Bank of England (BoE) Bank Rate currently stands at 3% and is expected to increase further during 2023/24. Due to economic pressures of the cost of living and the dramatic increase in energy prices, inflation was expected to rise to near 14% this autumn and currently stands at 9.9%. However, the energy bills cap that has been put in place shows encouraging signs that inflation could peak at below 11% and have slowed significantly by December 2023.

7.2 The Council will need to borrow externally to fund the Investment Recovery Strategy asset purchases over the life of the current Medium Term Financial Strategy. £10m will be required before the end of this financial year for which the Council can either utilise short term peer to peer lending or the PWLB facility. Whilst interest rates are high, the strategy is to take on short term borrowing and then refinance with long term borrowing when interest rates have fallen in 18 months to 2 years.

7.3 If we reduce our working capital balance from £10m to £2m by tightly controlling our cashflow we can reduce the amount of external borrowing needed in the short term, keeping our costs down as much as possible. When the capital value of our pooled funds has recovered, which may take up to 5 years, we will have the option of cashing in some of our investments, but the Council will need to balance the need to generate a revenue return from interest - which supports the delivery of front line services, against the cost of external borrowing. If the return from Treasury Management activity is higher than the cost of borrowing then it would be wise to retain the pooled funds as the long term investments they were intended to be. There are also implications to our status as a professional investor under MiFID 2 if we reduce our balance of external investments below £10m.

(END)