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EXECUTIVE

Date: Wednesday, 16 November 2022
Time: 2.00pm
Location: Council Chamber, Daneshill House, Danestrete, Stevenage
Contact: Ian Gourlay (01438) 242703
committees@stevenage.gov.uk

Members: Councillors: Baroness Taylor of Stevenage, OBE (Chair), R Henry (Vice-Chair), S Barr, L Briscoe, J Hollywell, Mrs J Lloyd, S Speller and J Thomas.

AGENDA

PART I

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

2. MINUTES - 12 OCTOBER 2022

To approve as a correct record the Minutes of the meeting of the Executive held on 12 October 2022 for signature by the Chair.
Pages 3 – 16

3. MINUTES OF THE OVERVIEW & SCRUTINY COMMITTEE AND SELECT COMMITTEES

To note the following Minutes of meetings of the Overview & Scrutiny Committee and Select Committees –

Community Select Committee – 11 October 2022
Overview & Scrutiny Committee – 18 October 2022
Pages 17 – 32

4. SECOND QUARTER REVENUE MONITORING REPORT 2022/23 - GENERAL FUND AND HOUSING REVENUE ACCOUNT

To consider the Second Quarter Revenue Monitoring report 2022/23 for the General Fund and Housing Revenue Account.
Pages 33 – 44

5. 2022/23 MID YEAR TREASURY MANAGEMENT REVIEW AND PRUDENTIAL INDICATORS

To consider the 2022/23 Mid Year Treasury Management review and prudential indicators.
Pages 45 - 78

6. URGENT PART I BUSINESS

To consider any Part I business accepted by the Chair as urgent.

7. EXCLUSION OF PRESS AND PUBLIC

To consider the following motions –

1. That under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as described in Paragraphs 1 – 7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to Information) (Variation) Order 2006.

2. That Members consider the reasons for the following reports being in Part II and determine whether or not maintaining the exemption from disclosure of the information contained therein outweighs the public interest in disclosure.

8. PART II MINUTES - EXECUTIVE - 12 OCTOBER 2022

To approve as a correct record the Part II Minutes of the meeting of the Executive held on 12 October 2022 for signature by the Chair.
Pages 79 - 82

9. MAKING YOUR MONEY COUNT OPTIONS 2023/24

To consider Making Your Money Count Options 2023/24.
Pages 83 - 146

10. URGENT PART II BUSINESS

To consider any Part II business accepted by the Chair as urgent.

NOTE: Links to Part 1 Background Documents are shown on the last page of the individual report, where this is not the case they may be viewed by using the following link to agendas for Executive meetings and then opening the agenda for Wednesday, 16 November 2022 – http://www.stevenage.gov.uk/have-your-say/council-meetings/161153/

Agenda Published 8 November 2022

STEVENAGE BOROUGH COUNCIL

EXECUTIVE
MINUTES

Date: Wednesday, 12 October 2022
Time: 2.00pm
Place: Council Chamber, Daneshill House, Danestrete, Stevenage

Present:	Councillors: Sharon Taylor OBE CC (Chair), Richard Henry (Vice-Chair), Sandra Barr, Jackie Hollywell, Mrs Joan Lloyd, Simon Speller and Jeannette Thomas.
Start / End Time:	Start Time: 2.00pm End Time: 5.15pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

There were no apologies for absence.

The Chair (Councillor Sharon Taylor) announced that she would be declaring an interest in Item 4 – Social Housing Decarbonisation Funding, as her daughter worked for Wates Living who are the recommended contractor for undertaking the works. She advised that she would leave the meeting for the duration of this item, which would be chaired by the Vice-Chair, Councillor Richard Henry.

The Chair paid tribute to former Councillor Howard Burrell who had passed away recently. As well as his work as a councillor, she referred to former Councillor Burrell's distinguished musical career, including his role as Professor of Music at the University of Hertfordshire. She expressed her condolences to his wife, family and friends.

2 MINUTES - 14 SEPTEMBER 2022

It was **RESOLVED** that the Minutes of the meeting of the Executive held on 14 September 2022 be approved as a correct record for signature by the Chair.

3 MINUTES OF THE OVERVIEW & SCRUTINY COMMITTEE AND SELECT COMMITTEES

It was **RESOLVED** that the following Minutes of meetings of the Overview & Scrutiny Committee and Select Committees be noted –

Community Select Committee – 5 September 2022
Environment & Economy Select Committee – 20 September 2022
Overview & Scrutiny Committee – 21 September 2022

4 SOCIAL HOUSING DECARBONISATION FUNDING

[Prior to the consideration of this item, Councillor Sharon Taylor declared an interest in the matter as her daughter worked for Wates Living who are the recommended contractor. She left the meeting for the duration of the item, which was chaired by the Vice-Chair, Councillor Richard Henry]

The Executive considered a report in respect of the proposed procurement process for a contract to undertake decarbonisation works to 399 Council homes, in conjunction with funding awarded from a bid made by SBC to the Government for Social Housing Decarbonisation funding Wave 1.

The Portfolio Holder for Housing & Housing Development advised that the report detailed proposals to enter into a contract with a construction partner, to enable the retrofit a number of Council homes to EPC C. This used an established procurement framework, and would enable swift progress as the Council worked to tackle the climate crisis through projects such as this retrofit.

The Portfolio Holder for Housing & Housing Development stated that the report recommended that the Executive agreed that the Council called-off via direct award from the South East Consortium framework and that Wates Living be appointed from that framework to carry out the works. This would improve the energy performance of around 399 of the Council's social rented homes.

In response to Members' questions, the Portfolio Holder for Housing & Housing Development commented:

- it was not affordable for the Council to undertake decarbonisation works for the whole of the Council's housing stock as the Government decarbonisation scheme required match-funding from the Council unless the Government stepped up to provide the appropriate financial level of support and/or considered other flexibilities, such as waiving the cost of SBC's borrowing to purchase the housing stock. The Council would be bidding for Wave 2 of funding, but the Government needed to publish a long-term plan for social housing decarbonisation to provide local authorities with more certainty of funding and delivery, to help households meet their energy costs along with contributing towards meeting climate change targets; and
- the Housing & Investment Unit would endeavour to make tenants' lives as comfortable as possible whilst the decarbonisation works to their homes was being completed. As far as reasonably possible, individual needs would be taken into account during discussions between officers and tenants prior to work commencing on their properties.

It was **RESOLVED:**

1. That it be agreed that the Council can call off via direct award from the South East Consortium framework, and that Wates Living be appointed from that framework to carry out works to improve the energy performance of around 399 Stevenage Borough Council social rented homes.

2. That a contract value for the works, with an anticipated value of around £3 million using JCT measured term contract, for the period from the appointment date of the successful contractor to 30 June 2025, be agreed.

3. That the option to include further works, within the contract value, should SBC be successful in its bid for funding through Wave 2.1 of the Social Housing Decarbonisation Fund, be agreed, and that this option will be built into the agreed contract call off.

Reason for Decision: As contained in report.
Other Options considered: As contained in report.

5 CLIMATE CHANGE - ANNUAL UPDATE - OCTOBER 2022

The Executive considered a report in respect of the Climate Change annual update 2022, which provided an overview of the actions that SBC was taking to address climate change following a review being undertaken by the new Portfolio Holder.

The Portfolio Holder for Environment & Climate Change advised that the report showcased the new approach to street level and neighbourhood working on tackling climate change. The report expanded upon the June update to the Executive which highlighted SBC’s work on climate change, along with successes in bidding for funds to decarbonise its housing stock, as well as supporting local businesses on their low carbon journeys.

The Portfolio Holder for Environment & Climate Change referred to the co-operative working between himself and the Portfolio Holders for Communities, Neighbourhoods and Co-operative Council, Culture, Leisure, Children and Young People, and Economy, Enterprise and Transport to help and hear residents’ concerns about climate change.

The Portfolio Holder for Environment & Climate Change highlighted the recommendation to fund a new Head of Climate Action role, to be considered in the overall Medium Term Financial Strategy package in November 2022. This was recommended in order to increase full-time senior capacity to support this priority, to help formulate a range of complex businesses cases for investment, lobby for funding, help mobilise teams and support the delivery of the Council’s local engagement activity.

With the aid of a short slide presentation, the Portfolio Holder for Environment & Climate Change highlighted the green working with strong community involvement that already taken place across the Borough, including sites at Vardon Road, Baddeley Close and Fairlands Valley Park. He explained that he would be establishing 3 Neighbourhood Green Planning pilot schemes in the St.Nicholas/Martins Wood wards; Pin Green/Bedwell wards; and Shephall/Bandley Hill wards.

The Assistant Director (Planning & Regulation) drew attention to Paragraph 3.9 of the report, and commented that SBC had agreed to fund 100 Memberships for a WENTA-run net zero programme for small and medium size businesses supporting them to understand what they could do to address climate change challenges.

The following comments were made by Members:

- members of the public who regularly raised questions on green/climate change issues were recommended to read the report, as it answered a number of the frequently asked questions on such issues;
- thanks were given to the work of the Green Space Volunteers, the Youth Mayor/Youth Council and various other community groups for their practical initiatives in helping to address green/climate change issues on the ground;
- it was confirmed that the retrofitting of decarbonisation measures to all SBC-owned properties would cost approximately £240Million. Officers would continue to bid for Government funding and would endeavour to complete as much work as possible to support the Council's ambition to be net carbon zero by 2030; and
- the concept of Neighbourhood Green Plans was supported.

It was **RESOLVED:**

1. That the progress being made to deliver the Climate Change Strategy and Action Plan be noted.

2. That the proposed approach to engagement, as set out in the report, be endorsed.

3. That it be noted that a proposal to create a Senior Officer lead role for Climate Change will be included in the Medium Term Financial Strategy report in November 2022.

Reason for Decision: As contained in report.
Other Options considered: As contained in report.

6 COMMUNITY INFRASTRUCTURE LEVY (CIL) - ALLOCATIONS AND GOVERNANCE

The Executive considered a report outlining the amounts of Community Infrastructure Levy (CIL) secured and projected; seeking agreement to the maintenance of the current CIL Charging Schedule for 2023/24; and seeking agreement to a proposed change to the approval process for CIL expenditure and allocation.

The Portfolio Holder for Environment & Climate Change advised that SBC had been applying the Community Infrastructure Levy to new developments since April 2020. He drew attention to a proposed review of CIL rates in 2023/24, as well as recommendations to change the responsibility for approval of CIL income of more than £75,000 from the Planning & Development Committee to the Executive, and for the allocation of £15,000 CIL monies per Co-operative Neighbourhood area per year for local infrastructure improvements.

The Assistant Director (Planning & Regulation) added that the proposed review of CIL rates would take account of the increased growth in the life sciences sector in the Borough.

In reply to a Member's question, the Assistant Director (Planning & Regulation) confirmed that there were certain trigger points during the development period for schemes that required developers to make CIL payments.

It was **RESOLVED:**

1. That the amounts of Community Infrastructure Levy (CIL) secured and projected be noted.

2. That the current CIL Charging Schedule rates be maintained and the rates reviewed in 2023/24.

3. That Executive approval, rather than Planning & Development Committee approval, be required to allocate and spend more than £75,000 of CIL income.

4. That the allocation of £15,000 per Co-operative Neighbourhood area, per year from 2023, be approved for local infrastructure (as per CIL Regulations) improvements which support Climate Change improvements and carbon reduction measures.

Reason for Decision: As contained in report.
Other Options considered: As contained in report.

7 COST OF LIVING CRISIS RESPONSE

The Executive considered a report which provided an update on the steps that SBC had taken already in responding to the cost of living crisis in the country, and seeking agreement to the actions that would be taken to further support local residents, businesses and community groups, and the Council, over the coming months.

The Leader drew attention to the national and local context for the cost of living crisis, and the impact of increases in the cost of energy, food, fuel and other goods; the war in Ukraine and sanctions on Russia; highest levels of inflation for 40 years and rising interest rates; ongoing residual impact from the Covid-19 pandemic and Brexit. Other factors were also impacting on businesses, such as increased supplier and material costs, challenges in recruiting and retaining staff, and transport costs.

The Leader stated that the impact on the Council and its finances, including increased costs, an increase in debt and arrears for rent, council tax and business rates, increased demand for benefits, homelessness and other support, and reduced income from key income streams, were set out in the report

The Leader explained that the report also updated the Executive on the steps that Stevenage Borough Council and partners had taken already in responding to the cost of living crisis and introduced a proposed action plan to further support local residents, businesses, Council employees and the Council itself. This plan would form the basis of continued discussions with partners, including through Stevenage Together, to develop a town-wide response to the crisis and co-ordinate activity to achieve maximum benefit.

The Leader advised that the Action Plan would be overseen and kept under review by the Cost of Living Member Working Group. The next cost of living report would be submitted to the December Executive and update reports thereafter on at least a quarterly basis.

Members made the following comments:

- there was a need to communicate to residents the sources of legitimate household financial support that might be available to them, as well as warning them of the possibility of scams in this area;
- physical and mental wellbeing of individuals would be affected, and there was a limit to the amount of support that could be given by services such as Citizens Advice and the HCC Money Advice Unit; and
- there was a strong possibility of increased homelessness due to the cost of living crisis, especially as a number of private landlords were leaving the sector by selling their properties.

It was **RESOLVED:**

1. That the draft Cost of Living Action Plan, attached at Appendix A to the report, be agreed as the basis of an initial town-wide response to the cost of living crisis.

2. That the Council continues to work with key local partners, including through the Stevenage Together Partnership, to develop a co-ordinated response across agencies to support residents, businesses and community groups.

3. That the Executive Member Cost of Living Working Group continues to oversee the development and implementation of the action plan, supported by the Officer Working Group, and reports back on progress to the Executive in December 2022.

4. That it be noted that the potential for reduced income from fee-based services and people struggling to pay council tax and/or rent, coupled with increased demand for services and higher costs, could significantly impact on the Council's short and medium-term finances. This will be closely monitored and reported to Executive as part of the Medium Term Financial Strategy and budget setting process.

5. That the Portfolio Holder for Economy, Enterprise and Transport writes to the Secretary of State for Business, Energy and Industrial Strategy to request that the recently announced cap on the cost of energy for businesses for six months is extended to two years, in line with the cap on household energy costs, to provide certainty for local organisations.

Reason for Decision: As contained in report.
Other Options considered: As contained in report.

8 FUTURE COUNCIL 2025 TRANSFORMATION PROGRAMME UPDATE

The Executive considered a report which provided an update on the Future Council 2025 Transformation Programme, including proposals for the Council to implement a Five-Star Customer Service programme, which responded to the key principles agreed by the Executive in August 2021.

The Portfolio Holder for Resources, Transformation and ICT reminded the Executive that, in order to respond to increasing financial challenges faced by the Council, and to deliver the level of service residents and customers expected, it had agreed the need for a transformation programme in August 2021.

The Portfolio Holder for Resources, Transformation and ICT stated that this programme was part of the Making Your Money Count objective within the Corporate Plan. Since the previous report, further work had been undertaken to shape proposals and to implement a first phase of change, and further investment had been made in a team to deliver the programme.

The Portfolio Holder for Resources, Transformation and ICT referred to the improvements underway in 2022/23, as well as the outline of a programme for 2023/24. The report included an update on digital improvements being made in the first phase, as well as a proposed Five-Star Customer Service programme to improve the service offered to residents. The programme had been shaped by feedback from Members, staff and residents (including, for example, analysis of complaints), and the report also included proposals for further resident engagement in order to shape the future offer to residents.

The Portfolio Holder for Resources, Transformation and ICT explained that the five parts of the proposed programme were:

1) Accessible services online and 24/7;
2) Easy to use and trackable processes;
3) Spot and solve issues before they arose;
4) An answer first time and clarity on the next steps; and
5) Personalised advice and support.

The Portfolio Holder for Resources, Transformation and ICT commented that the report included a set of changes to processes, technology, structures and culture which would make up the programme, and which would be developed into more detailed plans over the autumn. Plans were being developed to implement structural changes to create larger, more resilient teams and also enable savings. There was approximately £9M staffing spend associated with the services that could be included in the next phase. To illustrate the potential impact, a 5% saving would generate £450,000. A 10-15% saving, which could only be delivered over a period of time, would equate to a saving of circa £1.35M. An outline of the possible team structure was set out in Appendix A to the report. A further update report to Executive was anticipated early in 2023.

The Executive supported the multi-channel approach to transformation and noted that it would be challenging to manage residents' expectations in certain areas of transformation, such as in the work of the Co-operative Neighbourhood Teams.

It was **RESOLVED:**

1. That the Five-Star Customer Service programme, as outlined in Paragraph 4.2 of the report, be agreed.

2. That progress on the first phase of implementation of the Transformation programme be noted.

3. That it be noted that further work to develop detailed plans, including structural change, is ongoing and will be taken forward over the autumn of 2022.

4. That the proposal for resident feedback and engagement, as outlined in Section 4.28 of the report, be endorsed.

Reason for Decision: As contained in report.
Other Options considered: As contained in report.

9 REVISED COMPLAINTS POLICY AND NEW UNACCEPTABLE BEHAVIOUR POLICY

The Executive considered a report in respect of a proposed revised Council Complaints Policy and a proposed new Unacceptable Behaviour Policy.

The Portfolio Holder for Resources, Transformation and ICT advised that the proposed revised Complaints Policy incorporated the changes required to meet the Housing Ombudsman's Complaints Handling Code. This Code aimed to ensure social landlords had positive, welcoming complaints processes and with a more consistent approach across the sector.

The Portfolio Holder for Resources, Transformation and ICT commented that the Council would change from a 3-stage to a 2-stage complaints process and would adopt a new standard definition for customer complaints. This would be supported by a new digital complaints system.

The Portfolio Holder for Resources, Transformation and ICT stated that it was recognised that some residents repeatedly raised the same issue through different channels or to different councillors, even though they had taken the complaint through all stages of the complaints process and have had an appropriate resolution in line with the policy. Consequently, a new Unacceptable Behaviour Policy was also proposed to ensure the organisation could respond if a customer's demands or persistence became unreasonable. This approach could also be applied to interactions online or on social media.

The Portfolio Holder for Resources, Transformation and ICT recommended that the Executive approved these policies to ensure that the Council complied with the

Ombudsman's requirements and continued to offer a high-quality complaints service to customers. To support the new policies there would be training for complaints handling officers, and also for councillors through the Modern Member Programme.

Members asked for consideration to be given to the following:

- when operating the Complaints Policy, could officers look at distinguishing between complaints and service requests;
- in respect of the Unacceptable Behaviour Policy, it should be made clear that the public may have to deal with a specified officer (especially in small teams), but would have the right for the matter to be escalated to more senior officers if required; and
- the wording in the Unacceptable Behaviour Policy regarding behaviour on social media should be strengthened.

In reply to a Member's question, it was confirmed that complaints on the existing system will remain on that system until completed. Only new complaints will be entered into the new system.

It was **RESOLVED:**

1. That the proposed Complaints Policy, as attached at Appendix A to the report, be approved.

2. That the proposed Unacceptable Behaviour Policy, as attached at Appendix B to the report, be approved.

3. That it be acknowledged that future updates to the Complaints Policy may be needed more frequently than in the past, to meet the requirements of two complaints ombudsman.

Reason for Decision: As contained in report.
Other Options considered: As contained in report.

10 COUNCIL TAX SUPPORT SCHEME 2023/24

The Executive considered a report in respect of the proposed Council Tax Support (CTS) Scheme for 2023/24.

The Portfolio Holder for Resources, Transformation and ICT advised that the report recommended that the current Council Tax Support Scheme remained in place for 2023/24. The scheme for those working aged claimants (WAC) on maximum benefit was a reduction in their liability by 91.5%, paying just 8.5% of their Council Tax bill. Elderly CTS claimants were protected by legislation, and on maximum benefit received 100% rebate.

The Portfolio Holder for Resources, Transformation and ICT explained that the scheme may needed to be changed once more Working Aged Claimants were subject to Universal Credit, as set out in the report. However, the transition to Universal Credit had been slow to date. The report recommended that the scheme was looked at again in May or June 2023 to determine whether a banded scheme would be better if there had been a significantly increased move from Housing Benefit to Universal Credit.

It was **RESOLVED:**

1. That the existing Council Tax Support scheme of 8.5% council tax liability for those working aged claimants on maximum benefit, (subject to any benefit uplifts) be approved for the financial year 2023/24.

2. That a review of the caseload and transition to Universal Credit in June 2023 be approved, so that consideration can be given for a banded scheme (as set out in Paragraph 4.7.1 of the report).

Reason for Decision: As contained in report.
Other Options considered: As contained in report.

11 QUARTERS 1 AND 2 CAPITAL MONITORING REPORT 2022/23 - GENERAL FUND AND HOUSING REVENUE ACCOUNT

The Executive considered the Capital Monitoring report in respect of Quarters 1 and 2 of 2022/23 for the General Fund and Housing Revenue Account (HRA).

In respect of the General Fund, the Portfolio Holder for Resources, Transformation and ICT referred to the key changes to the reprofiling of capital expenditure for 2022/23 totalling £1.902Million. The major change (£1.004Million) related to Stevenage Direct Services and the Garage Improvement Programme. This Programme was currently being developed and expenditure was anticipated during 2023/24.

With regard to the Housing Revenue Account, the Portfolio Holder for Resources, Transformation and ICT drew attention to the key changes to the reprofiling of capital expenditure for 2022/23 totalling £26.939Million. The main change (£26.744Million) related to New Build Housing Development, where the reported underspend was not reduced as part of the budget setting, to allow flexibility in switching from planned schemes (if delayed or still in the planning stage) and to open market acquisition. The level of capital funding for Housing Development and Housing Investment would be updated as part of the next iteration of the HRA Business Plan.

The Portfolio Holder for Resources, Transformation and ICT commented that there was a forecast reduction in capital receipts for the two years (2022/23 to 2023/24) mainly due to sales now unlikely to proceed. However, receipts for development land of £2.5Million, originally budgeted for 2023/24, had now been received in 2022/23.

It was **RESOLVED:**

1. That Capital budget re-profiling of £28.841Million from 2022/23 to future years be approved.

2. That in-year virement of £100,000 to re-allocate unspent resources to the provision for current programmes within the Stevenage Direct Services Capital Programme be approved.

3. That in-year virement of £58,000 to re-allocate unspent resources to the provision for current programmes within the Finance & Estates Capital Programme be approved.

Reason for Decision: As contained in report.
Other Options considered: As contained in report.

12 URGENT PART I BUSINESS

Investment Zones

The Leader referred to the Government's recent announcement to create a series of Investment Zones across the country. The timescale was very tight, as Government guidance was issued on 2 October 2022, with a deadline for expressions of interest of 14 October 2022. It would be for Upper Tier authorities (ie, Hertfordshire County Council - HCC) to consider the submission of expressions of interest.

The Leader referred to the great opportunities for Stevenage to expand its thriving STEM city/life sciences sector (which had already created additional apprenticeships, training and jobs in the town), as well as continued support for the Town Centre Regeneration programme.

The Leader commented that the Investment Zone prospectus was high level, and that further detail would be required in the future. However, she referred to two dimensions that SBC wished to drive to inform the approach for Stevenage, namely:

- Funding – the opportunity for more Stevenage-raised Business Rates, to be re-invested in the town, was welcomed (with the caveat that the gains were not used to shore up or be in lieu of other public sector finances); and
- Planning liberalisation – this aspect needed further detail, in terms of the rules that would be invoked. Although there could be a loosening of Planning rules, she was not convinced that this would be required in Stevenage, as the Council already had a set of clear policies that ensured that the town benefited from sustainable growth and employment.

The Strategic Director (TP) advised that the response/expression of interest to the Government was being co-ordinated by HCC, supported by the Hertfordshire Local Enterprise Partnership (LEP). He outlined some key points of the Government's policy as follows:

- it was unclear if the Government had a cap on the number of Investment Zones (IZs) nationally. However, the Government was looking for a spread of sites across the country (some mixed, some commercial, and some residential); and
- the known incentives on offer including 100% relief on Business Rates for new businesses in IZs for 25 years; enhanced capital allowances for businesses

(National Insurance, Stamp Duty etc.).

The Strategic Director (TP) added that the IZ bid had to be supported by landowner and relevant Borough/District Councils, and had to be quite specific (sites rather than broader zones).

The Strategic Director (TP) explained that, across Hertfordshire, HCC and the LEP had been looking for Borough/District Council to respond with sites they would wish to recommend for an expression of interest. For Stevenage, work had involved looking at the GlaxoSmithKline site, sites around the Gunnels Wood Road area, and the Station Gateway area.

In terms of Planning liberalisation, the Strategic Director (TP) advised that the implications were quite vague. The use of Local Development Orders was mentioned, as was the ability of local authorities to opt in or opt out of liberalised Planning arrangements.

The Strategic Director (TP) stated that there would be continued discussions amongst Hertfordshire Council Leaders, with the intention for HCC to submit an expression of interest with a strong focus on life sciences and with Stevenage to be a focal point within the submission. It would be made clear in the expression of interest that there were elements relating to Business Rates and Planning that would need to be explored in more detail before a firm commitment could be made, and that the matter would be reviewed at the next stage.

13 EXCLUSION OF PRESS AND PUBLIC

It was **RESOLVED:**

1. That under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as described in Paragraphs 1 – 7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to Information) (Variation) Order 2006.

2. That the reasons for the following reports being in Part II were accepted, and that the exemption from disclosure of the information contained therein outweighs the public interest in disclosure.

14 LAND DISPOSALS

The Executive considered a Part II report which sought approval to conduct a procurement exercise to dispose of sites in order to meet the capital receipt requirements set out in the Council’s approved Capital Strategy, and to enable a place shaping scheme to take place in the Bedwell Ward.

It was **RESOLVED** that the recommendations contained in the report be approved.

Reason for Decision: As contained in report.
Other Options considered: As contained in report.

15 URGENT PART II BUSINESS

Accommodation for asylum seekers

The Leader, assisted by the Strategic Director (TP), provided an update on accommodation for asylum seekers.

CHAIR

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STEVENAGE BOROUGH COUNCIL

COMMUNITY SELECT COMMITTEE
MINUTES

Date: Tuesday, 11 October 2022
Time: 6.00pm
Place: Council Chamber, Daneshill House, Danestrete

Present:	Councillors: Sarah Mead (Chair), Alex Farquharson (Vice-Chair), Stephen Booth, Adrian Brown, Jim Brown, Nazmin Chowdhury, John Duncan and Wendy Kerby
Start / End Time:	Start Time: 6:00 pm End Time: 7:25 pm

1 **APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

There were no apologies for absence received.

There were no declarations of Interest.

2 **MINUTES - 5 SEPTEMBER 2022**

It was **RESOLVED** that the minutes of Community Select Committee meeting held on Monday 5 September 2022 be approved as correct record and signed by the Chair.

3 **DRAFT SCOPING DOCUMENT – VOIDS SCRUTINY REVIEW**

The Chair introduced the draft scoping document to the Committee. The Chair summarised what the focus of the review would be on:

- To look at the current issues and challenges facing Housing Investment and Direct Service officers in making void properties ready for let
- To identify ways to improve the current service including, where possible, reducing the time to carry out works in the property before it is relet
- To re-engineer the letting process
- To better define the thresholds for standard voids and major voids
- To review the lettable standard
- To benchmark with like-for-like “family group” or similar composition local authorities who retain a housing stock

The Chair said she wanted to see a laser focus on what were the current problems with void properties and what made them difficult to turnaround and bring back to a lettable standard. The Chair was looking for the review to come forward with some practical recommendations that the Executive and officers can implement to improve the void service.

The Chair invited comment on the scoping document and highlighted the following issues:

Staffing issues

The Chair asked officers to update the Committee on staffing issues covering pay, terms and conditions and recruitment and retention issues in Stevenage Direct Service. Consideration of staffing issues is not just about pay as that is also considered in the context of work life balance, distance of commute, pension contribution, sick pay; which in a cost-of-living crisis can all impact on employment decisions. The Chair is keen for the review to consider remuneration aspects if these are factors that are affecting performance / capacity, such as a bonus system. The Assistant Director, Steve Dupoy, stated that they were also working with Human Resources, looking at the pay and remuneration package as there were shortages of skilled workers in what is a buoyant construction sector. In some instances, agency staff were being used, but this was a costly option and not something that is sustainable in the long term.

The Operations Director, Rob Gregory informed Members that an Empty Homes Co-ordinator post had been created. The post holder would take on the ownership and coordination for the end-to-end processes, to help towards synergising and optimising the voids service.

Members raised the issue that vacancies in SDS that are advertised on the Council's website do not come up under search engines such as Google, which many people use as a mechanism to search for jobs. The Chair suggested also advertising SDS jobs in the windows in the reception area. The issue of utilising apprenticeships was also raised, but a Member cautioned that this is not a panacea as there was a danger in recruiting apprentices if there was not a good level of staffing to train them which results in them staying low skilled and just being used as cheap labour. The flipside to this is, if they are well trained, there was a likelihood they leave for a better paid job in the industry. Officers stated that they would give this some further consideration and that the Strategic Leadership Team had recently discussed utilising the apprenticeship levy to see if there were opportunities that could be explored.

Re-engineering the letting process

Regarding re-engineer of the letting process, the Operations Director, Rob Gregory, stated that the legal standard would clearly be maintained as a minimum. In connection with this there was a Government review nationally of the Decent Homes Standard. Consultation on the Decent Homes standard had been finally published in early September and was open until the 14 October 2022. Currently the Stevenage Decent Homes standard is higher than the statutory standard, but the new national Decent Homes standard will likely be higher which will have implications on the Housing Revenue Account, so there will likely be issues regarding its affordability. Officers are hoping to receive the information on the new standard by the end of December 2022.

The Chair asked officers to consider a scenario where it might be better for a potential new tenant to go into a vacant property once statutory safety checks are completed rather than waiting further weeks until the property meets the lettable standard, as they may be in urgent need of being re-housed following a private tenancy evection? Tracy Jackson acknowledged that it would be helpful to know early in the process if new tenant was likely to turn the property down.

Members asked Officers to find out the number of private rented evictions there were in the Stevenage housing market. Tracy Jackson advised that the council only had knowledge of those who approached our Housing Options Service and agreed to circulate this information to Members.

The Chair asked Members and Officers to explore the issue of allowing new tenants to take access of the property so long as the minimum standards of health and safety are maintained. Officers could then enter the property and carry out other minor fixes when the tenant is in the property. A member stated that they were concerned with this approach, as it could take the pressure off the Council and the tenant could be left with problems in their property.

The Operations Director, Rob Gregory, stated that the Council has a legal responsibility to carry out electrical and gas safety inspections prior to new tenants taking on a lease as part of the existing Decent Homes standard. Issues like the quality of the kitchen and bathroom are covered by the Stevenage Decent Homes standard. Small aesthetic works could be carried out once a new tenant is in the property if that helps the tenant be housed quicker, but any major repairs would need to be done prior to a new tenancy.

<u>Improved definitions between major and minor repairs</u>

The review would need to address a demarcation between a major or minor repair. This needs to be better defined and broken down to clearer categories.

<u>Benchmarking</u>

A member asked what is meant by the need for more appropriate benchmarking as suggested in the scoping document? Cllr John Duncan suggested that the Council currently benchmarks with a national set of data via Housemark. The shortcomings of this benchmarking group are that this group may not be comparable to the housing stock in SBC. If the Council could find a more similar group of authorities / registered social landlords, it would add more value to officers in the sharing of best practise and ideas as well as performance.

The Chair asked if officers could consider using a void property to see what changes could be made to make it address climate change such as improved insulation/heat pumps etc. as the new Decent Homes standard will drive this, and the Council needs to be in a position to know what measures work best?

The Chair encouraged Members to look at what other authorities were doing with regard to housing in view of modular properties or reuse of existing housing.

The Chair shared with the Committee some other thoughts she had which she was keen that the review should consider these included:

Exploring other options including pod style accommodation

Can officers consider a modular pod type simple accommodation (such as converted shipping containers or new build flat pack prefabricated one or two storey buildings), if we own plots of land that could be connected to utilities? A member suggested that 108 Oaks Cross would be a good example to look at as converted containers. Perhaps the new tenants of this accommodation should be asked what their view is? Tracy Jackson stated that a visit has been arranged for 24 October at 4pm if the Chair wished to attend? Where these have been used elsewhere, they are a cheap and effective option for housing and are well insulated so low energy to run.

Improved communications

The Chair raised the case that had been reported in the Comet newspaper that had raised a lot of angst regarding a tenant that had moved from London and had complained about the state of the property they were moved into it. The context is that this has angered people on the waiting list that can't get a property, who don't understand Statutory direct lets that the Council needs to accommodate, who are in category A.

The Chair raised this issue as she felt that there was a need for some clear messaging to be sent out from the Council on this issue, to help explain it to the public, with perhaps an article in the Chronicle and the use of social media to share accurate information on this issue. This could address the issue of lowering expectations of the Council, with older generations believing that it should be possible to house younger people, whereas the whole housing market has radically changed since the building of the new town. A Member cautioned that it would be very difficult to easily explain the Housing Allocations Policy. It might be more successful to inform the public on the numbers of stock such as circa 3,000 3 bed houses and the average tenancy is 12 years that would give the public an idea of the scale of the problem. The Operations Director, Rob Gregory, stated that although allocations wasn't in the direct scope of the review it was a related issue and the Community Select Committee would be invited to a Portfolio Holder Advisory Group later in the municipal year to look at a revised allocations policy, this would be accompanied by a wide public consultation on the issue.

Analysis of reasons for termination of tenancies

The Chair asked why are people leaving their accommodation? Some of the reasons can be forced evictions due to anti-social behaviour of the tenant. The Operations Director, Rob Gregory, confirmed that people leave their accommodation for a variety of reasons including ASB, death of the tenant, change of circumstances household family composition changes. The Operations Director offered to provide some in-depth analysis around the statistics and reasons for why people leave their accommodation and terminate their tenancies. A Member asked what happens to succession rights, which are often complicated to resolve? The Operations Director, Rob Gregory, stated that they all needed to be looked at on a case-by-case basis governed by the law. The Operations Manager – Providing Homes, Tracy Jackson stated that we have secured tenancies, so it is different to the world of private landlords and tenants. The Council employs a Downsizing officer who would make an approach to older underoccupied tenants to see if they would consider a more suitable property. The Council can assist with removals as older people are often daunted with the huge upheaval of moving and the new dwelling needs to meet their needs but if the tenant refuses to move there is nothing that can be done.

The stress on the system comes from a high demand for property whilst stock remains void and also a loss of income to the Council.

The Chair raised the issue of tenant swaps and shared the example of an older resident who is not inclined to leave the 3 bed family home, although her children are now all adults and have left the home. In the same area there are families living in 1 or 2 bed flats with multiple children. The Chair asked if it is possible to have a fair and compassionate system that works for all? Is it right for the single older person to not have to consider moving to a smaller property to house the family so long as mitigations can be considered? The Chair shared the example of a former Housing Portfolio Holder who used to hold events akin to "speed dating" to try and match up prospective tenants to swap their properties which would formally be understood as a mutual exchange. A member cautioned that there can be unintended consequences if large groups of older people move out of larger accommodation to smaller units as this can stop the natural organic supply of this housing and make it very difficult for new generations coming into the social housing market.

<u>Incentives for tenants to look after the property</u>

The Chair asked if as part of the review officers could explore the issue of offering some incentives to tenants to look after their property. Can a deposit scheme be considered, perhaps £1 or £2 a week that could be accrued (to a maximum financial cut off point) as part of the rent over the life of the tenancy that could be given back to the tenant if the property is left to a standard re cleaning/decoration etc.? This would help reduce the cost to the Council and provide the tenant with a small deposit that would help them in their new dwelling when they move, if they do not leave it to the agreed standard this money could be a contribution for repairs and cleaning required in the property when they vacate the property. Coupled with this could be a more regular inspection regime that could warn the tenant that they could lose their accrued deposit.

The Operations Director, Rob Gregory, stated that this would definitely be worth looking at, currently tenancies audits are done by the residents and estates team, whose time is spent chasing rent arrears and looking at ASB issues, so a look at how the teams time could be freed up to look at tenancy audits would be really beneficial, and would mean the team can nip issues in the bud that left alone become much bigger issues to deal with and gives officers greater leverage when the property is handed over to the voids team to determine what needs to be done in the property.

The Chair asked how many people were currently being housed in hotels? The Operations Manager – Providing Homes, Tracy Jackson, advised that the use of hotels for temporary accommodation has been significantly reduced as more accommodation has been made available via our Housing Development team. She agreed to bring back some figures to the Committee on this.

The Chair asked is the current SBC new build social housing stock finish of the Housing Development team too high a standard compared with the standard of the old stock? This matter would be picked up when the Executive Portfolio Holder for Housing & Housing Development was interviewed by the Committee in November. The Operations Director, Rob Gregory, said that this would need to be looked at as part of any future HRA business plan to balance the investment on the existing stock with the investment of the new stock. This is linked to the current asset management strategy, with an ageing original stock that is needing significant investment coupled with the pressures of retrofitting the stock to be net zero carbon to meet the demands of climate change there will need to be some difficult decisions about where the priorities are for both existing stock and new build.

4 MAPPING EXERCISE DOCUMENT FOR HOUSING VOIDS REVIEW

Members noted that the site visits to three void properties would be carried out on Thursday 13 October, and it was hoped that the visits would give those Members who attended it a better understanding of the challenges that face the Council when addressing voids.

A member expressed concern that there was a limited time to conduct all of the elements of the review that was left to do. In response the Chair suggested that individual Members on the Committee do their own “homework” and do their own desk top research with other new towns such as Crawley, Basildon and Harlow who have similar housing stock. The Chair stated that the Committee would endeavour to complete the review in the time allotted and the Operations Director was keen to come up with practical recommendations and make improvements to the performance on void properties.

It was noted that the Executive Portfolio Holder for Housing & Housing Development would be invited to attend the Committee’s next meeting on 2 November 2022 to discuss Housing Voids.

It was **RESOLVED** that the Mapping Exercise Document for the Housing Voids Review be noted.

5 URGENT PART 1 BUSINESS

None.

6 EXCLUSION OF PUBLIC AND PRESS

Note required.

7 **URGENT PART II BUSINESS**

CHAIR

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STEVENAGE BOROUGH COUNCIL

OVERVIEW AND SCRUTINY COMMITTEE
MINUTES

Date: Tuesday, 18 October 2022
Time: 6.00pm
Place: Council Chamber, Daneshill House, Danestrete, Stevenage

Present:	Councillors: Lin Martin-Haugh (Chair), Philip Bibby CC (Vice-Chair), Rob Broom, Jim Brown, Matt Creasey, Michael Downing, Bret Facey, Wendy Kerby, Andy McGuinness, Sarah Mead, Robin Parker CC, Claire Parris, Loraine Rossati and Anne Wells.
Start / End Time:	Start Time: 6.00pm End Time: 8.11pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

There were no apologies for absence.

There were no declarations of interest.

2 MINUTES OF THE PREVIOUS MEETING

It was **RESOLVED** that the minutes of the meeting of the Overview and Scrutiny Committee held on Wednesday, 12 September 2022 be approved as a correct record and signed by the Chair.

In relation to Minute 3 (5) – Station Gateway Area Action Plan: Referred Options, the Assistant Director (Planning & Regulation) advised that he would arrange for a response to be provided to all Members of the Committee in the next few days in respect of the temporary blocking off of the pedestrian access from the Old Town to the train station.

3 PART I DECISIONS OF THE EXECUTIVE

2. Minutes – Executive: 14 September 2022

Noted.

3. Minutes of the Overview and Scrutiny Committee and Select Committees

Noted.

4. Social Housing Decarbonisation Funding

The Committee was informed that the Executive had approved the proposed procurement process for a £3M contract (with Wates Living via the South East Consortium Framework) to undertake decarbonisation works to 399 Council homes, in conjunction with funding awarded from a bid made by SBC to the Government for Social Housing Decarbonisation funding Wave 1. This would enable the retrofit of these Council homes to EPC C standard, and would contribute towards the Council's Climate Change ambitions.

In reply to some Members' questions, Officers responded as follows:

- the 399 homes had been selected as the EPC Rating D or below, and were in most need of improvements to their fabric, including the installation of modern insulation;
- the £3M contract comprised £1.8M Government funding and the remainder allocated by the Council;
- the meaning of the phrase "calling off", as used in the report at Paragraph 4.2, was that the Council would be essentially buying a service from a contract that was already in place; and
- the capacity issues of contractors being able to deliver such retrofitting nationally was a valid concern, and was why the Council had used call off via the South East Consortium Framework for this initial phase of decarbonisation works.

5. Climate Change Annual Update October 2022

The Committee was informed that the report to the Executive had provided an update on Climate Change work undertaken with local businesses (including WENTA) and at regional and county level, including the Solar Together programme and Energy Saving Heat Map. The Portfolio Holder for Environment & Climate Change presented to the Executive the new ways of public engagement, particularly working at local and street level.

In response to a series of Members' questions, Officers replied as follows:

- the mitigation of the impact of climate change locally (eg. flooding, allocation of more sites for food production) would be considered as part of the next phase of SBC's engagement work on the Climate Change Strategy;
- further research would be carried out in respect of the safe recycling of the small lithium batteries in disposed vaping devices;
- the street meets referred to in the report were for Members and Officers to hear from residents about local climate change issues;
- the Topic Reference Panel would consist of engagement with those with climate change specialists/interest groups. The Topic People Panel would provide engagement with those less interested in climate change matters, and would be trialled/piloted in various parts of the Borough;
- it was acknowledged that there had been a significant time lapse between the work carried out by the former Climate Change Citizens Panel and the publication of its findings. A 30 page summary had been published, and the full report had been offered to those who had participated in the work of that Panel. The intention was to re-establish a Citizens Panel (with a

refreshed membership) in the future; and

- the Hertfordshire-wide Solar Together programme related to private housing (bulk buying of solar panels to provide a discounted cost of installation for properties participating in the programme).

6. Community Infrastructure Levy (CIL) – Allocations and Governance

The Committee was advised that SBC had been applying the Community Infrastructure Levy to new developments since April 2020. The Executive had noted that a proposed review of CIL rates would take place in 2023/24, and had approved recommendations to change the responsibility for approval of CIL income of more than £75,000 from the Planning & Development Committee to the Executive, and for the allocation of £15,000 CIL monies per Co-operative Neighbourhood area per year for local infrastructure improvements.

In response to Members' questions, Officers replied as follows:

- there were certain trigger points during development periods that required developers to make CIL payments;
- discussions were ongoing with major infrastructure providers and partners, including HCC, regarding the use of CIL monies;
- CIL reporting would be fairly detailed, showing money received and where that money was spent. Due to the time lag between CIL income and expenditure, it was intended to report this information on an annual basis; and
- the allocation of £15,000 per Co-operative Neighbourhood area per year would be for physical improvements (eg) tree planting, re-greening, water course improvements. Projects would be approved by local Members, guided by officers. The aim would be to be as flexible as possible in the use of the funding for each area;

The Committee debated the £15,000 funding allocation for each Co-operative Neighbourhood area, and suggested that it would be more equitable for each of the Borough's 13 Wards should be allocated £7,500 each, meaning that the area with 3 Wards would have a total allocation of £22,500.

The Strategic Director (TP) acknowledged this point and advised that he would refer this matter back to the Executive Portfolio Holder for Environment & Climate Change. He commented that this could be included in further guidance on the use of the funding allocation that would be provided for the Community Neighbourhood areas.

7. Cost of Living crisis response

The Committee was informed that the report to the Executive had set out the national and local context for the cost of living crisis, and its impact on residents and local businesses. The report had also set out the impact on the Council and its finances, including increased costs, an increase in debt and arrears for rent, council tax and business rates, increased demand for benefits, homelessness and other support, and reduced income from key income streams.

The Committee was advised of the steps that Stevenage Borough Council and partners had taken already in responding to the cost of living crisis and introduced a proposed action plan to further support local residents, businesses, Council employees and the Council itself. This plan would form the basis of continued discussions with partners, including through Stevenage Together, to develop a town-wide response to the crisis and co-ordinate activity to achieve maximum benefit.

The Strategic Director (RP) summarised the comments on the report made by the Executive, including the fact that a number of private sectors landlords were leaving the rented sector by selling their properties.

In reply to a Member's question, the Strategic Director (RP) stated that access to the services available to those residents without on-line facilities would be provided through the Council and partner organisations targeting such individuals via other means (such as leaflets and local noticeboards) in order to sign-post them to areas of advice and support.

In response to a further question, the Strategic Director (RP) explained that there were a number of reasons why private landlords in the rented sector were selling their properties, including increased mortgage interest rates and additional regulation surrounding the sector.

In reply to another question, the Strategic Director (RP) advised that, through the Social Inclusion Partnership, the Warm Spaces programme would explore the use of Council-owned facilities, as well as those owned and operated by other partners, to promote opportunities for people to access warm spaces outside their own homes. This matter would be considered further at a forthcoming meeting of the Member Cost of Living Working Group. In addition, Hertfordshire County Council had recently announced a small grant scheme to support voluntary sector organisations seeing to provide warm Spaces, and SBC would be working collaboratively to maximise the benefit of this to Stevenage residents.

8. Future Council 2025 Transformation Programme update

The Committee was advised that the report to the Executive had followed on from the approval of a Transformation Programme in August 2021. One of the drivers for the Programme was to improve customer service and to respond to the financial challenges faced by the Council.

The Committee was informed that the report had referred to the improvements underway in 2022/23, as well as the outline of a programme for 2023/24. The report included an update on digital improvements being made in the first phase, as well as a proposed Five-Star Customer Service programme to improve the service offered to residents.

The Committee noted that plans were being developed to implement structural changes to create larger, more resilient teams and also enable savings. There was approximately £9M staffing spend associated with the services that could be included in the next phase. To illustrate the potential impact, a 5% saving would generate £450,000. An outline of the possible team structure was set out in Appendix A to the report. A further update report to Executive was anticipated early in 2023.

In response to issues raised by Members, the Assistant Director (Digital & Transformation) agreed that options needed to be developed to ensure that services were available for all residents (including improved telephone response times). Performance in relation to telephone response times was being monitored by the Executive, although this was against a backdrop of recruitment difficulties in the Customer Service Centre. Temporary call handling staff had been employed, although 6 posts were currently vacant. This was an issue common across many customer service organisations at the current time.

Members raised the related issue of poor telephone answering behaviour amongst other customer-facing Council departments. The Assistant Director (Digital & Transformation) acknowledged that this required improvement, and commented that one of the core purposes of the programme was to ensure that staff knew the level of service that they would be expected to provide when dealing with residents, both on the phone, digitally and in person.

9. Revised Complaints Policy and new Unacceptable Behaviour Policy

The Committee was informed that the proposed revised Complaints Policy incorporated the changes required to meet the Housing Ombudsman's Complaints Handling Code, in particular changing from a 3-stage to a 2-stage complaints process. The Executive had asked officers, when operating the policy, to look at distinguishing between complaints and service requests.

In respect of the Unacceptable Behaviour Policy, the Executive considered that it should be made clear that the public may have to deal with a specified officer (especially in small teams), but would have the right for the matter to be escalated to more senior officers if required. The Executive further requested that the wording in the Policy regarding behaviour on social media should be strengthened.

In response to a Member's comment, the Assistant Director (Digital & Transformation) agreed that the relatively minor aggressive or abusive behaviour (often due to frustration) should not be used as an excuse for not dealing with a legitimate complaint. Staff training on how to implement the policy would be core to its introduction.

In reply to a Member's questions, the Assistant Director (Digital & Transformation) commented that a new Digital Complaints system should make it easier for Members and officers to track complaints. The process would not rely on the use of e-mails, as information would be directly entered into the new system. Training would be provided on the system, including options to distinguish between complaints and service requests/enquiries.

10. Council Tax Support Scheme 2023/24

The Committee was advised that the Executive had agreed that the current Council Tax Support Scheme remained in place for 2023/24. The scheme for those working aged claimants (WAC) on maximum benefit was a reduction in their liability by 91.5%, paying just 8.5% of their Council Tax bill. Elderly CTS claimants were protected by legislation, and on maximum benefit received 100% rebate.

The Committee noted that the scheme may need to be changed once more Working Aged Claimants were subject to Universal Credit, as set out in the report. However, the transition to Universal Credit had been slow to date. The scheme would therefore be looked at again in May or June 2023 to determine whether a banded scheme would be better if there had been a significantly increased move from Housing Benefit to Universal Credit.
In reply to a Member's question, the Assistant Director (BM) confirmed that a banded CTS Scheme would be based on the Council Tax band levels.

11. Quarters 1 and 2 Capital Monitoring Report 2022/23 – General Fund and Housing Revenue Account

The Committee was advised that the key changes to the reprofiling of the General Fund Capital Programme 2022/23 amounted to £1.902Million. The major change (£1.004Million) related to Stevenage Direct Services and the Garage Improvement Programme. This Programme was currently being developed and expenditure was anticipated during 2023/24.

In respect of the Housing Revenue Account (HRA) Capital Programme, the Executive was informed that the key changes to the reprofiling of capital expenditure for 2022/23 totalled £26.939Million. The main change (£26.744Million) related to New Build Housing Development, where the reported underspend was not reduced as part of the budget setting, to allow flexibility in switching from planned schemes (if delayed or still in the planning stage) and to open market acquisition. The level of capital funding for Housing Development and Housing Investment would be updated as part of the next iteration of the HRA Business Plan.

12. Urgent Part I Business – Investment Zones

The Strategic Director (TP) advised that the Government guidance on Investment Zones had been issued on 2 October 2022, with a deadline for expressions of interest of 14 October 2022. It would be for Upper Tier authorities (ie, Hertfordshire County Council - HCC) to consider the submission of expressions of interest.

The Strategic Director (TP) commented that the Executive had been informed that this would be an opportunity for Stevenage to expand its thriving STEM city and life sciences sectors, which had already created additional apprenticeships, training and jobs in the town. It was noted that the Investment Zone prospectus was high level, and that further detail would be required in the future. Further information would be required on issues such as potential Business Rates retention and Planning liberalisation.

The Strategic Director (TP) stated that he had informed the Executive that the response and expression of interest to the Government was being co-ordinated by HCC, supported by the Hertfordshire Local Enterprise Partnership (LEP). The bid would be focussing on bringing investment into the Gunnels Wood Road area of Stevenage, around Stevenage train station and several other parts of the county. He had summarised some of the incentives for occupiers should Investment Zone status be achieved. Nationally, over 100 expressions of interest had been submitted, against a reported Government estimate of up to 40.

In reply to a series of Member's questions, the Strategic Director (TP) stated:

- the incentive for local authorities is that they would retain 100% of business rates over a 25 year period for new businesses attracted to locating into the Investment Zone;
- the incentives for businesses would include discounted Stamp Duty and reduced National Insurance contributions;
- the governance of the Zone and which body held its funds was unclear in the guidance;
- there had been no indication whether or not Investment Zones would remain in the Government's plans when it made its fiscal announcement on 31 October 2022; and
- no date had been given for when the Government would announce which expressions of interest had been successful.

4 URGENT PART I DECISIONS AUTHORISED BY THE CHAIR OF THE OVERVIEW AND SCRUTINY COMMITTEE

None.

5 URGENT PART I BUSINESS

None.

6 EXCLUSION OF PRESS AND PUBLIC

It was **RESOLVED**:

1. That, under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as described in Paragraphs 1 to 7 of Part 1 of Schedule 12A of the Act, as amended by SI 2006 No. 88.

2. That having considered the reasons for the following item being in Part II, it be determined that maintaining the exemption from disclosure of the information contained therein outweighed the public interest in disclosure.

7 PART II DECISIONS OF THE EXECUTIVE

14. Land Disposals

The Assistant Director (Housing Development) answered a number of Members' questions regarding this item.

15. Urgent Part II Business – Accommodation for asylum seekers

The Strategic Director (TP) answered a number of Members' questions in respect of this item.

8 URGENT PART II DECISIONS AUTHORISED BY THE CHAIR OF THE OVERVIEW AND SCRUTINY COMMITTEE

None.

9 URGENT PART II BUSINESS

None.

CHAIR

Part I

Meeting:	**EXECUTIVE**
Portfolio Area:	Resources
Date:	**16 November 2022**

2ND QUARTER REVENUE MONITORING REPORT – GENERAL FUND AND HRA

KEY DECISION

Author – Veronika Mendy/Keith Reynoldson Ext. 2943
Contributor – Brian Moldon, Finance team and budget Managers
Lead Officers – Brian Moldon Ext. 2933
Contact Officer – Brian Moldon Ext.2933

1. PURPOSE

1.1 To update Members on the projected General Fund and Housing Revenue Account (HRA) 2022/23 net expenditure and seek approval to amend the General Fund and HRA budgets as part of the quarterly revenue review.

1.2 To update Members on the reserves and balances available to support revenue expenditure and seek approval for revisions to the allocated reserves.

2. RECOMMENDATIONS

General Fund

2.1 That the 2022/23 2nd quarter projected net decrease in General Fund expenditure of £199,920 be approved.

2.2 That Members note the cumulative changes made to the General Fund net budget remains within the £400,000 increase variation limit delegated to the Executive.

Housing Revenue Account

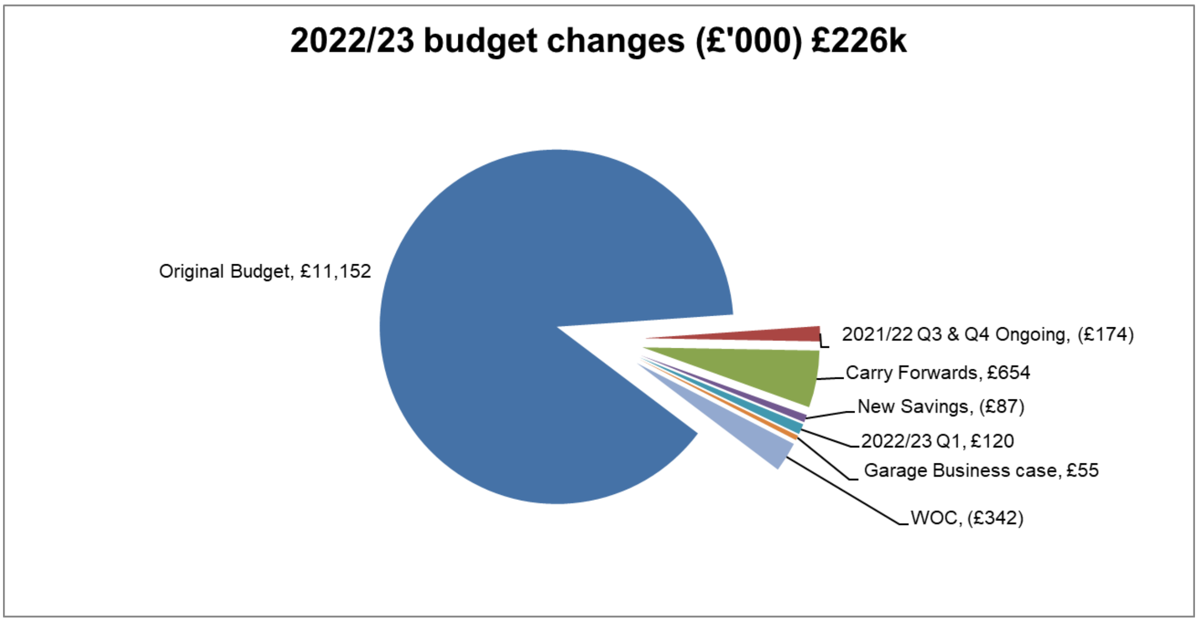
2.3 That the 2022/23 2nd quarter projected net decrease in HRA expenditure of £263,300 be approved.

Part I

2.4 That Members note the cumulative increases made to the HRA net budget remain within the £250,000 increase variation limit, delegated to the Executive.

3. BACKGROUND - GENERAL FUND

3.1. Since the General Fund net budget of £11,151,570 was approved at Council, Members have approved net budget changes of £225,850 as detailed in the chart below, this now includes the Wholly Owned Company (WOC) Marshgate impact on the General Fund for 2022/23 relating to net interest income for loans to the company predominately for one development which will be repaid in the next two years:

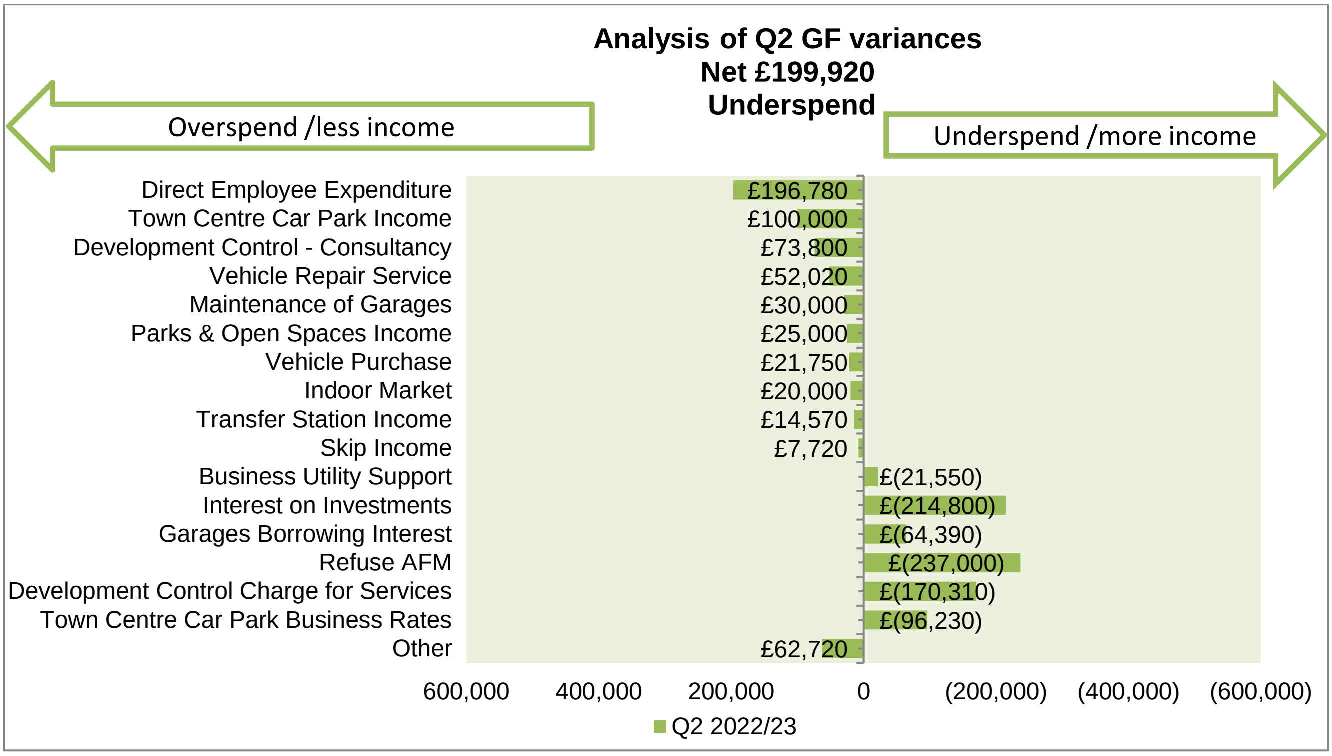


4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 **General Fund – Budget Review**

4.1.1 Following the 2nd quarter review of revenue budgets officers have identified the following budget movements.

Part I



(-) lower expenditure / more income

4.1.2 **Direct Employee Expenditure – pressure £196,780**

- Refuse and Recycling Salaries -pressure **£154,260** – increased reliance on agency staff due to long and short term sickness (388 total days since April, out of this number - 68 days are COVID related). Additional bank holidays (Queens Jubilee and Funeral) and associated agency staff to support weekend work.
- Landscape maintenance - pressure **£40,630** – Additional costs for redundancy payment resulting from business unit review.
- Accountancy - pressure **£33,000** – this represents the costs of short term agency staff brought in to assist with the closure of accounts and to support capital.
- Development Control – pressure **£20,000** this relates to agency costs due to additional capacity required within the team.
- Town Centre Management – pressure **£7,500**. Costs associated with the provision of maternity leave cover of the town centre manager.
- Street scene salaries – underspend **£32,280** – current vacancies due to timing delay of service review implementation.
- Play services – underspend **£26,330** – The service has carried a number of vacancies this year due to staff secondments and casual staff vacancies following Covid-19.

Although not reported at quarter 2 the budgeted pay award was based on 2.00% increase, but an offer of £1,925 per employee has been made and agreed with the unions. The impact is included in the Medium Term Financial

Strategy and due to be paid in November in the main and will add in the region of £662,000 to the General Fund pay bill (on-going pressure).

4.1.3 **Town Centre Parking Income – pressure £100,000**. Continued reduction in car park income. Improvement is expected during Christmas period. This is in addition to the pressure reported in quarter 1 of £175,000 and the losses built into the base for 2022/23 of £695,000, representing a total reduction for 2022/23 of £970,000.

4.1.4 **Development Control Consultancy – pressure £73,800**. This represents the cost in relation to high number of pre and planning applications which require consultants. One large planning site incurred costs of circa £130,000, further costs may be recovered.

4.1.5 **Vehicle Repair Service – pressure £52,020**, which is a combination of

- An increase in cost of materials of £19,000.
- Taxi inspections have not been reinstated since Covid resulting in £15,000 loss of income.
- Sale of vehicles -£15,000- There are no vehicle sales anticipated this financial year

4.1.6 **Maintenance of Garages – pressure £30,000**. This is required in order to support the reactive garage repairs. With the current economic climate and the increase of cost of living there has been a spike in the cost of materials. The additional funds will cover the on-going reactive repairs for this financial year.

4.1.7 **Parks and open Spaces Income – pressure £25,000.** Fees have increased but the commercial let for Chells pavilion is being finalised later than budgeted for.

4.1.8 **Vehicle Purchase – pressure £21,750.** This is a replacement of two written off vehicles. The insurance claim was in 2019/20 but the budget was not carried forward into 2022/23.

4.1.9 **Indoor Market – pressure £20,000.** Removal and fit of new market banners including redecoration. This was from underspend in 2021/22 but the budget was not carried forward into 2022/23.

4.1.10 **Transfer Station Income – pressure £14,570**. External use of Transfer Station has ceased due to capacity in tonnages, however the Council has submitted a change to the current licence to the Environment agency from 2023/24.

4.1.11 **Skip Income – pressure £7,720**. The skip service continues to struggle in a competitive market, resulting in lower income - a drop of 50%. A review of charges has been included in the Making Your Money Count report to this Executive for approval.

4.1.12 **Business Utility Support – additional income £21k** from the Government propose business utility scheme between October 2022 and March 2023, this is based on projected increases in utilities of 279% for Gas and 106% for electricity, however, this may be higher once the Council is notified of the rate for October.

4.1.13 **Interest on Investments** – **additional income £214,800.** The Council had estimated an average interest rate for the year of 0.35%. However, following increases to the Bank of England base rate (to 2.25%) over the last few months, this has resulted in additional interest income.

4.1.14 **Refuse Alternative Financial Model (AFM) – additional income of £237,000.** This was introduced to encourage waste reduction across the county and improve recycling gains. Latest correspondence with HCC indicates an income of £237k is due this year. HCC has indicated that as part of its need to make savings the scheme will now cease.

4.1.15 **Development Control: Charge of Service – additional income £170,310.** In connection to pre and planning applications. This income is partly offset by additional agency and consultancy costs as described above. The net difference will then be transferred to a reserve as per 4.1.16.

4.1.16 **Other variances of £62,720.** This is made of variance on Movement in Reserves (see breakdown below) and other small net variances across General Fund Services and as such are not reported separately.

Movement in Reserves – There are recommended reserve movements of £115,000 which are:

- Transfer of Development control in year surplus to fund additional staff £77K
- Transfer to Queensway reserve £43K relating to parking income received from the LLP
- Transfer from New Homes Bonus reserve of £5K for residual unspent balance.

4.1.17 The cumulative changes made to the General Fund net budget remains within the £400,000 increase variation limit delegated to the Executive. The total value of changes is an underspend of £79,990 based on first two quarters.

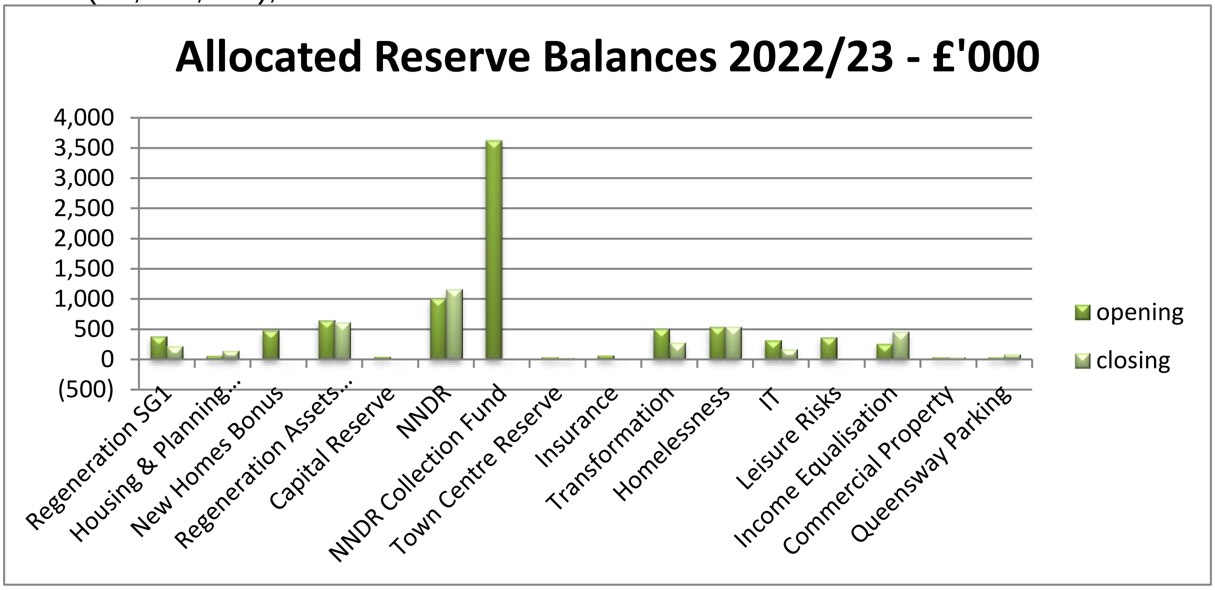
Executive Delegation - General Fund	**£'000**
Original Net General Fund Budget	**11,152**
Q4 Carry Forwards	654
2021/22 Q3 & Q4 Ongoing	(174)
New Savings	(87)
Garage Survey	55
WOC	(342)
Total	**11,258**
Quarterly monitoring Q1 & Q2	(80)
Within Executive Delegated Limit	**(112)**

() represents a surplus

Part I

4.2 Review of General Fund Balances

Allocated Reserves – these balances are 'ring fenced' and have been set aside for specific purposes. The estimated total value of (revenue) allocated reserves as at 31 March 2023 is **£3,730,558**, (31 March 2022, £8,430,125). Reserve balances are projected to decrease by £4,699,567 during this year, the majority of this reduction relates to NNDR repayments to the Collection Fund (£3,622,422),



4.2.1 General Fund Balance – Following the 2nd quarter review and MTFS to the September Executive the General Fund balance as at the 31 March 2023 is now forecast to be £5,672,262

General Fund Balances	£'000
Original Net General Fund Budget	**11,152**
Approved budget changes	226
Net Working budget approved to Date	**11,378**
2nd Quarter Review	(200)
Total Net Expenditure post Q2 review	**11,178**
less core resources	(10,096)
Adjustment to Core Resources	154
Transfer (to)/from General Fund balances	**1,235**
General Fund balance 31/3/22	**(6,908)**
Transfer (to)/from General Fund balances	**1,235**
Projected General Fund balance 31/3/23	**(5,672)**
Allocated Revenue Reserves –repayment to Collection Fund	(1,162)
Other Allocated Revenue Reserves	(2,573)
Total General Fund Revenue balances (estimated 31/3/23)	**(9,407)**

Part I

**may not include other assumptions included in the MTFS*
*** Adjustment to core resources relates to 2021/22 lower business rates received in year lowering the transfer to the allocated reserve. A gain of £171K re 2021/22 will be received in 2023/24.*

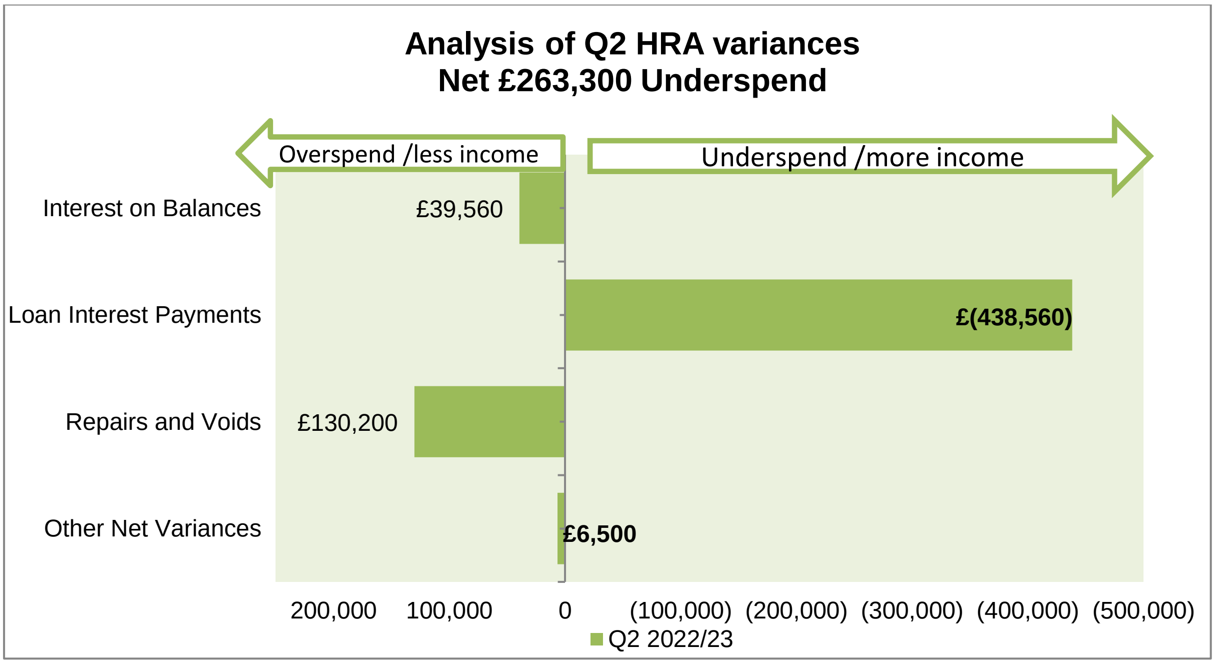
4.3 Housing Revenue Account

4.3.1 Since the Housing Revenue Account (HRA) net budget surplus of £1.956Million was approved at Council, Members have further approved net changes of £1.612Million as detailed in the following table. The majority of these changes are from unspent budgets in the prior year and will be met from the higher surplus in 2021/22.

HRA Working Budget	£'000
Original Budget 2022/23	**(1,956)**
21/22 Q3 Carry Forwards	325
21/22 Q4 Carry Forwards	973
21/22 Q4 Ongoing Budget Pressures	64
22/23 Q1 Net Projected Pressure	250
Approved Movement	**1,612**
Total Working Budget	**(344)**

4.4 Housing Revenue Account - Budget Review

4.4.1 Following the second quarter review of revenue budgets officers have identified the following budget movements.



4.4.2 **Interest on Balances £39,560.** The original budget for interest earned on balances was £277,000 and this was increased to £647,000 in the Q1 report in response to the recent increases in interest rates. The latest estimate, based on current projected spend and income, is a slight reduction of £40,000, but still an increase of £330,000 over the original estimate.

4.4.3 **Loan Interest Payments (£438,560)**. As a result of the recent increases in the cost of borrowing, the timing of when the Council is likely to take on new loans has been reviewed. This means a lower amount of external borrowing has been taken leading to lower borrowing costs, with a higher amount of internal borrowing reducing the potential investment income as shown above. This will continue to be monitored and if conditions become favourable the planned loans may still be taken in this year and this forecast underspend will reduce. Based on current projections, the Council will have internal borrowing of £43Million for the HRA. There is a plan in place to steadily reduce internal borrowing over the next few years.

4.4.4 **Repairs and Voids £130,200.** There is a further projected net increase in costs for repairs and voids work of £130K and the details of this increase are shown at 4.5 below.

4.4.5 **Other net variances £6,500.** There were other small variances totally £6.5K across the HRA accounts that have been included in the new forecast for Quarter 2.

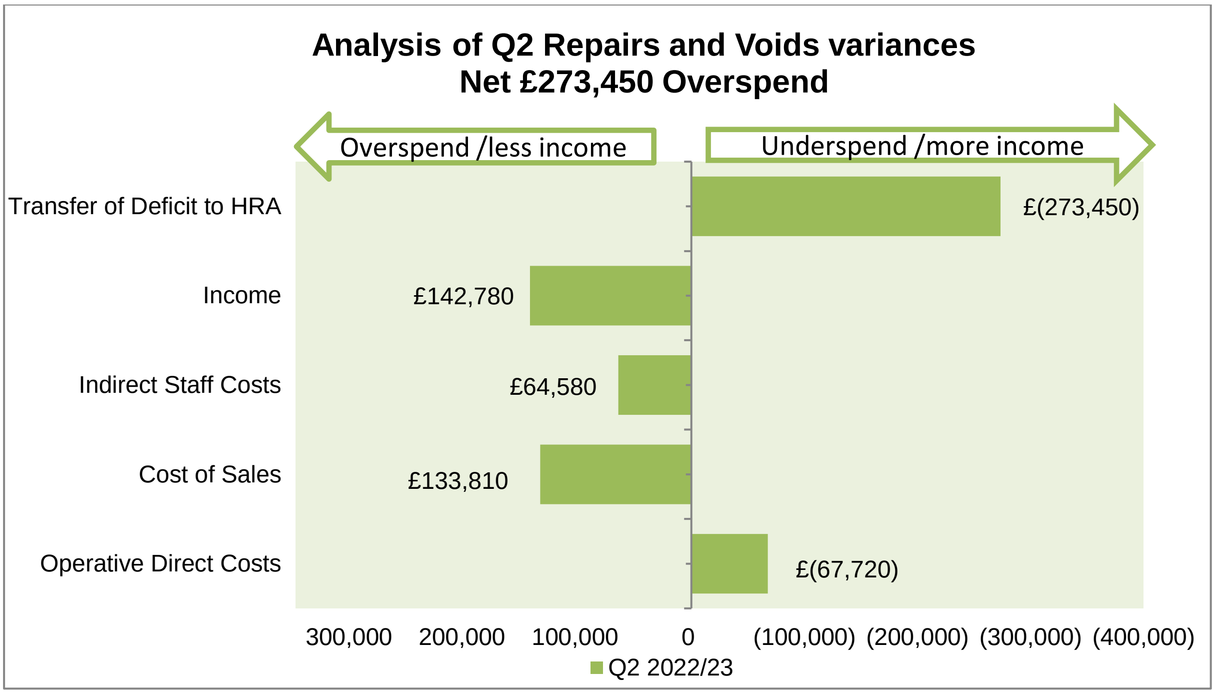
4.4.6 In addition to the variances highlighted above, like the General Fund, the budgeted pay award was based on a 2.00% increase, but an offer of £1,925 per employee has been made, but not yet agreed with the unions. If agreed this award would add in the region of £352,000 to the HRA budget as an on-going pressure. The impact of this will be built into the budget when there is more certainty on the final agreement.

4.4.7 Another area to be noted concerns the cost of gas and electricity for communal supplies in flat blocks and sheltered housing schemes. In total the working budget for these costs is currently £774,000 for 2022/23. Allowing for the Government's current support scheme and the renewed utility agreements from October of this year, it is currently projected that this will rise by £432,000. Normally, the majority of this increase would be recovered from service charges to tenants and leaseholders. However, due to the scale of the increases, the approach to recovering these higher costs is currently under review and any further budget pressures will be reflected in future reports.

4.5 **Responsive Repairs and Voids Performance**

4.5.1 The net Repairs and Voids team financial position is included in the overall HRA as a further budget pressure of £130,000. This consists of the increased deficit of £273,450, detailed below, (partly driven by material and sub-contractor price increases). The job rate charged to the HRA from Repairs and Voids was increased by an annual inflation factor of 4%, however prices have exceeded this, causing an increase in the deficit. In addition, there is also a projected lower cost of repairs charged to the HRA of £142,780.

Part I



4.5.2 **Operative Direct Costs (£67,720).** There are currently 4 operative posts vacant within the structure and agency cover is being used. Allowing for the timing to recruit to the vacancies, a further £67,720 under spend is currently projected. The service is currently having difficulty in retaining and recruiting staff in a competitive job sector and is looking at market analysis for trade operative salaries to allow the service to ensure more successful recruitment going forward. It should also be noted that this underspend has been offset by increased indirect salaries detailed in 4.5.4.

4.5.3 **Cost of Sales £133,810.** The cost of materials has continued to increase and a further £61,000 pressure has been included in the projection to reflect current prices. There is also a further pressure of £76,000 on subcontractor works (driven by higher inflation as well) and this is linked to the capacity of the in-house team, while vacancies are recruited, and the type of repairs that are reported by tenants. As some work will require specialist sub-contractors to complete.

4.5.4 **Indirect Staff Costs £64,580.** There are a number of issues that have led to the need for a further four short term scheduling posts that have been employed from the Operative employee underspend (detailed in 4.5.2), to improve job scheduling and the completion of works.

4.5.5 **Income £142,780.** Current income projections show a reduction of £143K on the working budget and this is linked to both the volume of repairs and capacity issues within the team.

4.5.6 **Transfer of Deficit to HRA (£273,450).** The impact of these changes is a further increase in the deficit charged to the HRA of £273K. However, it should be noted that trading conditions remain difficult, with higher inflation and difficult labour and material availability. In addition, the Repairs and Voids schedule of rates or the amount per job they charge the HRA increased by 4%

for 2022/23 and current inflationary pressures are far outstripping this. The trading account is still looking to increase income from other work streams to compensate for the lower repair charges in this financial year.

4.6 **Housing Revenue Account Balances**

4.6.1 Following the 2nd quarter review the HRA balance is now forecast to be £28.8Million.

Housing Revenue Account Outturn Position	£'000
Working Budget	**(344)**
2nd Quarter Net Projected Underspend	(263)
Projected net Surplus post 2nd Quarter review	**(607)**
HRA balance brought forward 1/4/22	(28,208)
Surplus in year	(607)
Projected HRA balance 31/3/2023	**(28,815)**
Within Executive Delegated Limit of £250K	**199**

5 IMPLICATIONS

5.1 Financial Implications

5.1.1 This report is financial in nature and consequently financial implications are included above. The impact of these changes for future years will be incorporated into the budget setting process.

5.2 Legal Implications

5.2.1 The objective of this report is to outline the projected General Fund net expenditure for 2022/23 and the impact on the General Fund balances. While there are no legal consequences at this stage Members are reminded of their duty to set a balanced budget.

5.3 Equalities and Diversity Implications

5.3.1 This report summarises external and internal factors that impact on approved budgets and recommends changes to those budgets in year. Budget changes identified for future years that could adversely impact on groups covered by statutory equality duties will be incorporated into the budget setting process which includes Equality Impact Assessments (EqIA). None of the budget changes reported will change any existing equalities and diversity policies.

5.3.2 The service department has been asked to look at the equalities and diversity implications in the increase in void re-let times and any potential impact on protected groups.

5.4 Risk Implications

5.4.1 A risk based assessment of balances is undertaken and reported to Council as part of the General Fund Budget setting process. Both the General Fund and HRA balances are projected to be above minimum levels.

5.4.2 Inflationary pressures continue to be a financial risk to both the HRA and General Fund, in the form of higher borrowing, wages and material costs, these risks will be reviewed as part of the budget setting process.

5.5 Policy Implications

5.5.1 The budget framework represents a development of a policy led budgeting approach across Council services and the overall Medium Term Financial Strategy.

5.6 Climate Change Implications

5.6.1 The Budget and Policy setting process prioritised growth for climate change as part of the 2022/23 budget setting process. The 2022/23 process should have due regard for climate change implications based on the Council's Climate Change Strategy. There are no direct climate change implications from the budget changes in this report.

6. BACKGROUND PAPERS

BD1 – 2022/23 Council Tax Setting and General Fund Budget (Council 24 February 2022)

BD2- 2022/23 Final HRA and Rent setting report (Council 28 January2022)

BD3- General Fund Medium Term Financial Strategy Update (202122 – 2025/26)

BD4 - First Quarter Revenue Budget Monitoring Report 2022/23 (Executive 14 September 2022)

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Agenda Item 5

Part I
Release to Press

AUDIT COMMITTEE/ EXECUTIVE / COUNCIL

Portfolio Area: Resources

Date: **9 November 2022 / 16 November 2022 / 14 December 2022**

2022/23 MID YEAR TREASURY MANAGEMENT REVIEW AND PRUDENTIAL INDICATORS

NON-KEY DECISION

Author	– Rhona Bellis	Ext. 2515
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Lead Officer	– Brian Moldon	Ext. 2515
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1 PURPOSE

1.1 To update Members on the Treasury Management activities in 2022/23 and review effectiveness of the 2022/23 Treasury Management and Investment Strategy including the 2022/23 prudential and treasury indicators.

2 RECOMMENDATIONS

2.1 Audit Committee

That subject to any comments by the Audit Committee to the Executive, the 2022/23 Mid-Year Treasury Management Review and Prudential indicators reports is recommended to Council for approval.

2.2 Executive

That subject to any comments made by the Executive, in addition to those made by the Audit Committee, the 2022/23 Mid-Year Treasury Management Review and Prudential indicators report is recommended to Council for approval.

2.3 Council

That subject to any comments from the Audit Committee and the Executive, 2022/23 Mid-Year Treasury Management Review and Prudential indicators report be approved by Council.

3 BACKGROUND

3.1 Regulatory Requirement

3.1.1 The Council is required by regulations issued under the Local Government Act 2003 to produce a mid-year treasury management review of activities and the actual prudential and treasury indicators for 2022/23. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

3.1.2 During 2022/23 the minimum reporting requirements were that the Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 24 February 2022)
- a mid-year treasury update report (this report - Council 14 December 2022)
- an annual review following the end of the year (2021/22) describing the activity compared to the strategy (Council 19 October 2022).

3.1.3 In December 2017, CIPFA revised the Code to require, all local authorities to report on:

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability.

These elements are covered in the annual Capital Strategy reported to Council in February each year.

3.1.4 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

3.1.5 This report summarises:

- Capital expenditure and financing for 2022/23;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Reporting of the required prudential and treasury indicators, including the impact of the expenditure on the Council's underlying indebtedness (the Capital Financing Requirement);
- Update on the Treasury Management Strategy Position;
- An economic update for the first part of 2022/23.

3.1.6 Officers confirm that they have complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee and the Executive before they were reported to the Council

3.2 Economics and interest rates

3.2.1 **Economics update.**

Over the last year, global demand has increased significantly as economies emerge from two years of supressed economic activity during the Covid-19 emergency. The Bank of England MPC increased interest rates for a seventh consecutive meeting in September 2022 to 2.25% in an attempt to supress demand and contain inflationary pressures within the economy. These pressures include soaring global food and energy prices caused by disruption to supplies as a result of the war in Ukraine.

The September's mini-budget, now largely reversed, was seen as inflationary and markets reacted negatively, pushing up the cost of government borrowing steeply in September and October. The Bank of England has indicated that interest rates are likely to continue to rise as inflation is significantly higher that the BOE target rate of 2% - being 10.1% (CPI September 2022). Action by the government to reassure markets by reversing most of the previously announced mini-budget policies did have a positive effect on markets, although at the time of writing this report the cost of government borrowing has not reduced to pre-mini-budget level and this feeds into higher PWLB rates for local authority borrowing and investing.

3.2.2 **PWLB borrowing rates** are based on gilt (UK Government bonds) yields (rate) which are traded on the financial markets. Bond values have recently been falling, increasing the yield and consequently increasing the cost of government borrowing. The interest rate on bonds due to be repaid in 30 years' time dropped to 4.35% on 18 October 2022 (1.385% 19 October 2021), after falling back from a high of 5.17% on 28 September after the mini-budget. The chancellor will deliver the governments "economic plan" on 31October, which will set out how government debt will be reduced and tax cuts funded. At the time of writing this report, it cannot be predicted how the cost of government borrowing will move and what the impact on the PWLB rates available to the council for borrowing in the future will be.

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 [1]bps).

[1] Basis points

Chart 1

Link Group Interest Rate View	27.09.22											
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

* Rates include a 0.2% Certainty Rate reduction

3.2.3 There are alternatives to the PWLB for borrowing, for both the General Fund and the HRA, including the UK Municipal Bonds Agency, UK Infrastructure Bank, other Local authorities and public bodies including the LEP. Options are considered by officers at the point borrowing is considered to ensure the best borrowing rates are obtained. No additional external borrowing has been taken in 2022/23 as at 30 September 2022.

4 TREASURY MANAGEMENT ACTIVITIES

4.1 OVERALL TREASURY POSITION AS AT 30 SEPTEMBER 2022

4.1.1 The Council's treasury position for the first half of the year was as follows:

Table 1: Treasury Position						
	2021/22			**2022/23**		
	31 March 2022 Principal £'000s	**Rate / Return %**	**Average Life (Yrs)**	**30 September 2022 Principal £'000s**	**Rate / Return %**	**Average Life (Yrs)**
PWLB Borrowing	227,750	3.28	12.89	227,619	3.28	12.89
Other long term liabilities*	19,230			19.230		
Total Debt	**246,980**			**246,849**		
Capital Financing Requirement	305,432			311,226		
Over/(under) borrowing	(58,452)			(64,377)		
Investments Portfolio	**68,750**	**0.35**	**NA**	**63,425**	**1.04**	**NA**

**Includes finance leases and other third party loans*

4.2 TREASURY MANAGEMENT STRATEGY 2022/23

4.2.1 The Treasury Management Strategy was approved by council on 24 February 2022.

There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

4.3 THE COUNCIL'S CAPITAL POSITION (Prudential Indicators).

4.3.1 Capital expenditure[2] can be financed either by capital resources the Council has on its balance sheet (e.g. capital receipts and capital grants) or by making a revenue contribution to capital. If sufficient capital resources are not available to fund the expenditure the Council would need to borrow to meet the funding gap. This borrowing may be taken externally in new loans or internally from cash balances held by the council. The need to borrow is measured and reported through the Prudential Indicators.

4.3.2 The Treasury Management Strategy and Prudential Indicators for 2022/23 were originally approved by Council on the 24 February 2022. Since then the Treasury Management Mid-Year Review Indicators have been updated based on the 1st and 2nd quarter capital programme reported to Executive (12 October 2022).

4.3.3 Table three shows the revised estimates for capital expenditure 2022/23 and financing and the changes since the capital programme was agreed at Council on 24 February 2022.

Table 2 : 2022/23 Capital Expenditure and Financing			
	Original Capital Strategy (Council February 2022) £'000	**Revised Capital Strategy Q2 £'000**	***Movement* £'000**
Capital Expenditure:			
General Fund Capital Expenditure	34,631	32,729	(1,902)
HRA Capital Expenditure	81,594	54,655	(26,939)
Total Capital Expenditure	**116,226**	**87,384**	**(28,842)**
Financed by:			
Capital Receipts	(38,826)	(25,215)	(13,611)
Capital Grants /Contributions	(16,163)	(15,858)	(305)
Capital Reserves	(572)	(3,650)	3,078
Revenue contributions	(6,669)	0	(6,669)
Major Repairs Reserve	(23,785)	(22,139)	(1,646)
Total Financing	**(86,015)**	**(66,862)**	**(19,153)**

[2] Council expenditure can be classified as capital when it is used to purchase assets with a life of more than one year, exceeds £5,000 in value and meets the guidelines laid out in CIPFA accounting practices.

Table 2 : 2022/23 Capital Expenditure and Financing			
	Original Capital Strategy (Council February 2022) £'000	Revised Capital Strategy Q2 £'000	*Movement* £'000
Borrowing requirement	**(30,211)**	**(20,522)**	**(9,689)**

4.4 CHANGES TO THE PRUDENTIAL INDICATORS FOR THE CAPITAL FINANCING REQUIREMENT (CFR), EXTERNAL DEBT AND OPERATIONAL BOUNDARY

4.4.1 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). It represents the amount of debt it needs to/has taken out to fund the capital programme (and includes both internal and external borrowing). The CFR is then reduced as debt repayments are made and Minimum Revenue Provisions (MRP – see also section 5.2) are made. A separate CFR is calculated for the General Fund and Housing Revenue Account and any transfers of assets (such as land or buildings) between the two accounts will impact on each fund's CFR. The CFR will go up on the fund "receiving" the assets and go down (by the same amount) on the fund "giving" the asset.

4.4.2 The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

Prudential Indicator – Capital Financing Requirement

Table 3 Capital Financing Requirement	2022/23 Original Estimate Council February 2022 £'000	2022/23 Revised Estimate Mid-Year £'000	Movement Between Estimates £'000	Current Position £'000
CFR – non housing	56,185	56,530	345	49,821
CFR – housing	278,772	268,738	(10,034)	261,405
Total CFR	**334,957**	**325,268**	**(9,689)**	**311,226**

4.4.3 The CFR for the HRA has decreased by £10.034Million, due to the New Build (Housing Development) programme slipping into future years.

4.2.3.8 The General Fund's CFR has increased by £345k, due to;
- Borrowing requirement of £1.031Million
- less Minimum Revenue Provision (MRP) (see section 5.2.2) of -£215K
- less loan repayments made in year totalling -£471K.

4.5 Limits to Borrowing Activity

4.5.1 The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and next two financial years.

4.5.2 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Table 4 Authorised limits	Operational Boundary [3] £'000	Authorised Limit £'000	Actual External Debt 30/09/2022 £'000
PWLB			227,619
Other external debt			19,230
Total Borrowing	354,503	362,503	246,849
Less Investments			(63,425)
Total Net Borrowing Position	**354,503**	**362,503**	**183,424**

4.5.3 The net borrowing position for the Council as at 30 September 2022 was £183Million.

4.5.4 A temporary breach of the operational boundary is permissible for short term cash flow purposes however a breach of the authorised limit would require a report to Council. There have been no breaches of either limit in the period to 2022/23

4.6 Borrowing

4.6.1 The Council's capital financing requirement (CFR) for 2022/23 is £325Million. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. Table 1 shows the Council has borrowings of £247Million and has utilised £64.4Million of cash flow funds in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring in the event that any upside risk to gilt yields prevails.

[3] Operational Boundary = expected debt position

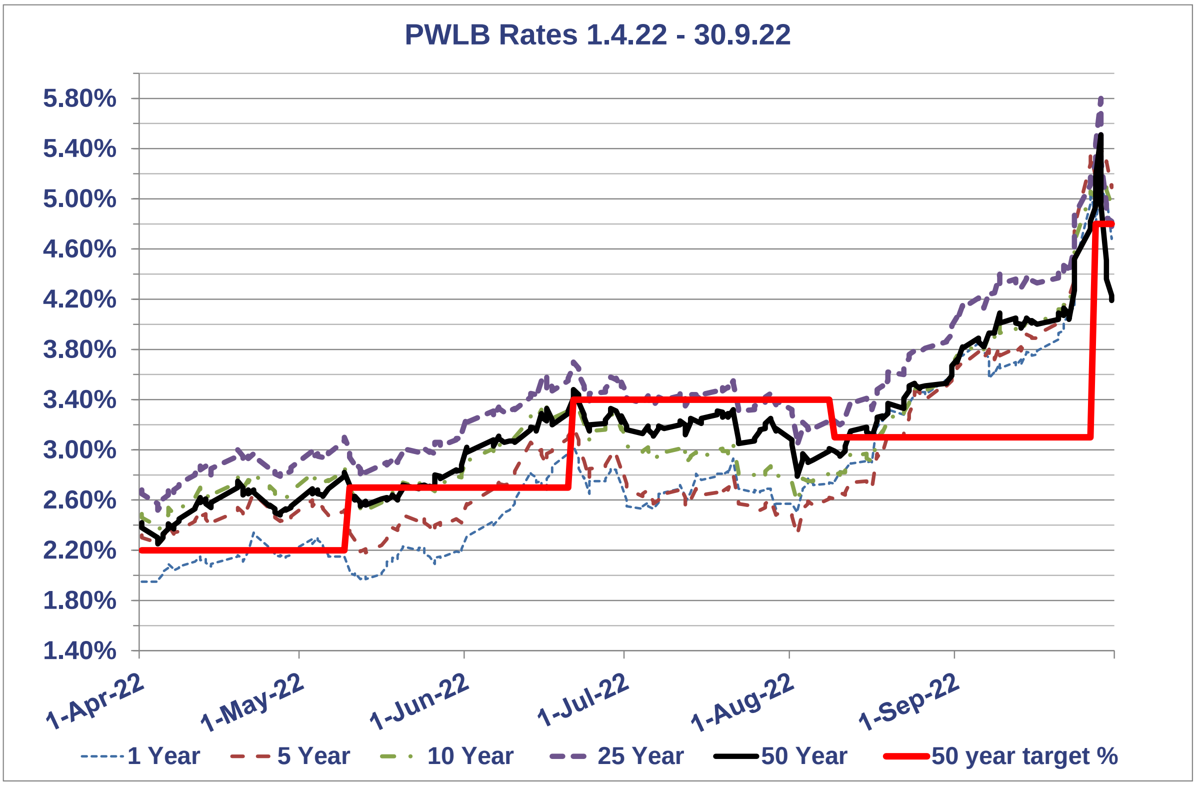
4.6.2 No new external borrowing has been taken to date during 2022/23 The capital programme is being kept under regular review due to the effects of inflationary pressures, shortages of materials and labour. Our borrowing strategy will, therefore, also be regularly reviewed and then revised, if necessary, in order to achieve optimum value and risk exposure in the long-term.

4.6.3 PWLB maturity certainty rates (gilts plus 80bps) year to date to 30th September 2022. Gilt yields and PWLB rates were on a generally rising trend throughout 2022, the exception being a short rally in gilts in July/August. However, they rose exceptionally sharply towards the end of September.

The 50-year PWLB target certainty rate for new long-term borrowing started 2022/23 at 2.20% and finished the half year at 4.80%, albeit it is forecast to fall back to 3.10% by the end of September 2025.

4.6.4 The Chart below shows the volatility of the PWLB borrowing rates from 1 April 2022 to 30 September 2022.

Chart 2



4.6.5 The General Fund has PWLB external borrowing of £1.9Million and other external borrowing of £7Milion (Local Enterprise Partnership - LEP) and a finance lease of £12Million (Aviva). Discussions took place with the LEP regarding making these re-investible loans for further regeneration of the town, rather than needing to be repaid on the dates originally agreed. As indicated in the table, the current position is that only £209K of the £7.279Million received to date has been repaid. The remaining balance is repayable - £6.57Million in 2030 and £0.5Million in 2025. The loans are at zero interest.

Table 5: LEP Loans						
Loan Received	**Site Assembly**	**Land Assembly**	**SG1**	**Repaid**	**Total**	**Repayment Date**
2015/16	762,488			(208,795)	553,693	31/03/22
2018/19	416,306				416,306	
2019/20		4,108,709			4,108,709	
2020/21		1,491,291	500,000		1,991,291	
Total	**1,178,794**	**5,600,000**	**500,000**	**(208,795)**	**7,069,999**	

4.6.6 The Aviva finance lease, entered into in 2018/19 for 37 years was immediately sublet to Queensway Properties (Stevenage) LLP for 37 years.

4.6.7 The HRA has external borrowing of £225.731Million all held with the PWLB, of which £30.820Million relates to the Decent Homes programme, £7.763Million from pre 2012, £4.010Million taken out in 2019/20, £10.0 Million taken out in 2020/21 and £9.047Million taken out in 2021/22. The remainder of £194.911 Million relates to HRA self-financing payment made to central government in 2012.

4.6.8 The target average borrowing rate in the latest HRA Business Plan last updated 2021 (HRA BP) was 1.6% for 2020, rising to 1.72% in 2021 and 1.74% in 2022. HRA borrowing of £10Million was taken externally in March2021 (2.06%), February 2022 - £5Million for 25.5 years at 2.22% and £4.047Million for 21 years at 2.24%. The HRA BP assumed a 3.5% average rate for future loans. Recent interest rate rises have led to current forecast rates exceeding the original BP forecasts. The HRA BP will be revised and reported to the December 2022 Executive.

4.6.9 The table 6 below shows current PWLB borrowing rates compared to rates secured for the HR A borrowing in prior years.

Table 6:

Rates[4]* as at:	**Mar-21**	**Feb-22**	**18 Oct-22**
Years	**Actual Rate %**	**Actual Rate %**	**PWLB Rate %**
5			4.81
10			4.99

[4] Rates include a 0.2% Certainty Rate reduction

15			5.19
20	2.06		5.31
21		2.24	5.31
25.5		2.22	5.28

5 COMPLIANCE WITH TREASURY AND PRUDENTIAL LIMITS

5.1.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2022, the Council has operated within the treasury and prudential indicators set out in the Council’s Treasury Management Strategy Statement for 2022/23. The Chief Finance Officer reports that no difficulties are envisaged for the current or future years in complying with these indicators.

5.1.2 All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

5.2 Minimum Revenue Provision (MRP)

5.2.1 The Prudential Code, by which the Council has to make its borrowing decisions, requires the Council to demonstrate that borrowing is required and affordable. The MRP is a statutory requirement to ensure borrowing is affordable for the General Fund and does not apply to the HRA (the HRA affordability is determined in the HRA BP). The Council is required to make annual MRP based on its policy approved by Council as part of the Treasury Management Strategy. The calculation of MRP is based upon prior years’ borrowing requirement (regardless of whether that borrowing was internal or external) and the life of the asset for which the borrowing was required.

5.2.2 The MRP charged to the General Fund in 2022/23 is forecast to be £214,609 of which:

- £35,119 is funded from investment property
- £48,787 is funded by the Garage Improvements Programme
- £130,703 is a net cost to the General Fund

6 ANNUAL INVESTMENT STRATEGY

6.1.1 The Treasury Management Strategy Statement (TMSS) for 2022/23, which includes the Annual Investment Strategy, was approved by the Council on 24 February 2022. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council’s investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite

6.1.2 There were no breaches to this policy in the year to 30 September 2022 with the investment activity conforming to the approved strategy. The Council had no liquidity difficulties and no funds have been placed with the Debt Management Office (DMO), demonstrating that counterparty limits and availability for placing funds approved in the TM Strategy were working effectively. It is possible that surplus funds that may be borrowed during 2022/23 will be placed in the DMO temporarily, if PWLB borrowing rates are advantageous and cash balances due to timing of taking out new loans would breach other counterparty limits.

6.1.3 The Specified and Non-Specified Investment Criteria (Appendix C) have been reviewed and updated in the Treasury Management Strategy 2022/23 agreed at Full Council in February 2022. Appendix C reflects the strategy in place for 2022/23. No further amendments are proposed at this stage.

6.1.4 In accordance with the Treasury Management Strategy, the Council invests its surplus cash balances that are committed for future approved spending. The policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data and counterparty limits dependant on level of cash balances held.

6.2 Investment performance year to date as of 30 September 2022

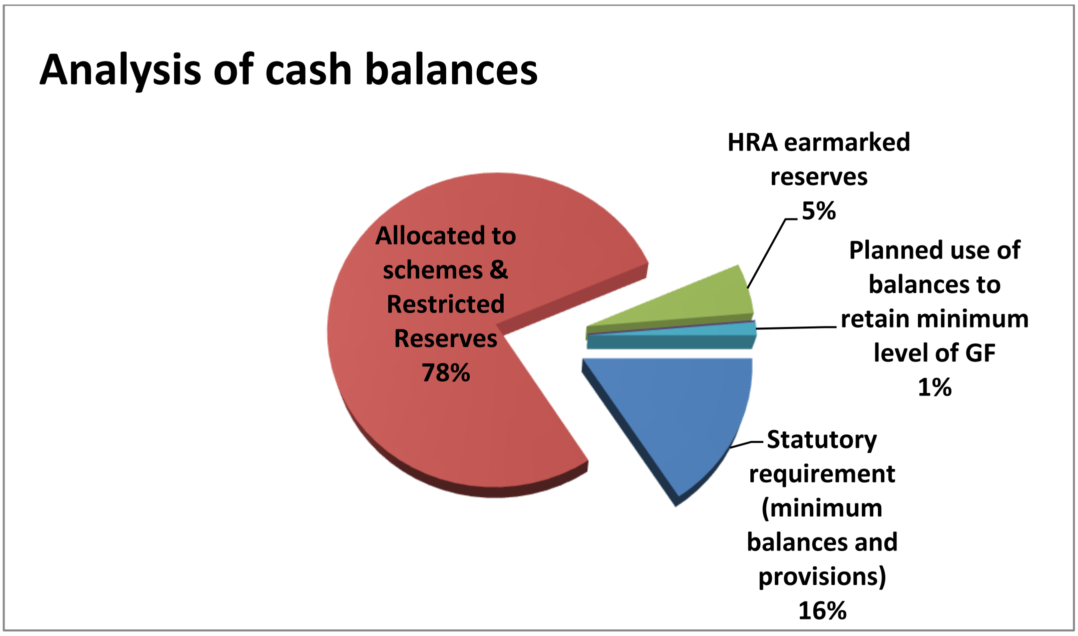
6.2.1 The Council's current investment portfolio consists of "conventional" cash investments: deposits with banks and building societies, Money Market Funds and loans to other Local Authorities. Currently no investments have been made with any of the other approved instruments within the Specified and Non-specified Investment Criteria (see Appendix D).

6.2.2 The average level of funds available for investment purposes during the first half of the financial year was £74Million, earning an average interest rate of 1.04%. Interest earned to 30 September 2022 was £384k. Projected investment balances at 31 March 2023 are currently £63Million and forecast external interest receivable from investments is currently £935k against an original budget of £330k, contributing to General Fund (£326k) and Housing Revenue Account revenue income (£607k).

6.2.3 The Council's balances are made up of cash reserves e.g. HRA and General Fund balances, restricted use receipts e.g. right to buy one for one receipts (£9Million) and balances held for provisions such as business rate appeals

6.2.4 In considering the Council's level of cash balances, Members should note that the General Fund MTFS and Capital Strategy have a planned use of resources over a minimum of 5 years and the HRA Business Plan (HRA BP) a planned use of resources over a 30 year period, which means, while not committed in the current year; they are required in future years.

6.2.5 The following chart shows the planned use of cash balances as at 30 September 2022.



6.2.6 The restrictive use of a proportion of the cash balances set out above, plus the planned use of resources in line with the Council's capital and revenue strategies mean that the investment balance of £64Million as at 30 September 2022 is not available for new expenditure.

6.2.7 **Other Prudential Indicators**

6.2.8 The ratio of financing costs to net revenue stream is equal to General Fund interest costs divided by the General Fund net revenue income from Council tax, Revenue Support Grant and retained business rates. The 2022/23 indicator 3.42%. This means the cost of borrowing represents a very small proportion of the General Fund's core resources.

6.2.9 The full list of treasury prudential indicators is shown in Appendix A and has been updated for the 2022/23 mid-year position.

7 OTHER ISSUES

7.1 Operational and Authorised Borrowing Limits

7.1.1 The treasury management indicators for 2022/23 will be updated based on the updated Capital Strategy to be approved by Council in February 2023 and subsequently updated in the 3rd quarter capital update reported to

Executive in March 2023 and the 4th quarter (Outturn) capital update reported to Executive in July 2023.

7.1.2 HRA limits will be revisited as part of the HRA BP review to be reported to Executive in December 2022.

7.1.3 UK Sovereign rating and investment criteria. The UK sovereign rating could come under continued pressure from the impact of COVID and / or following the post-Brexit trade agreements agreed and their impact on the UK economy. The Council's investment criteria only use countries with a rating of AA- or above. Moody's UK Sovereign rating is Aa3 (AA- equivalent), the same as Fitch, while Standard & Poor's has it rated at AA. The UK rating remains exempt from the sovereign rating investment criteria so in this event if it were to result in the UK being downgraded below AA- it would not impact on the Council's ability to invest with UK institutions. Other investment criteria will be considered in this event to ensure security of funds for the Council.

7.1.4 Revised Treasury Management and Prudential Codes were issued by CIPFA on 20 December 2021. CIPFA has stated that there will be a soft introduction of the codes with local authorities not being expected to have to change their current draft TMSS/AIS reports for 2022/23 unless they wish to do that. Full implementation will be required for 2023/24. The revised codes will have the following implications:

- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement
- clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment
- address ESG issues within the Capital Strategy
- require implementation of a policy to review commercial property, with a view to divest where appropriate
- create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices)
- ensure that any long term treasury investment is supported by a business model
- a requirement to effectively manage liquidity and longer term cash flow requirements
- amendment to TMP1 to address ESG policy within the treasury management risk framework
- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council
- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage)

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

Treasury management
Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery
Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

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

The categories of service delivery and commercial investments are dealt with as part of the Capital Strategy report. Members will be updated on how all the Code changes will impact our current approach and any changes required will be formally adopted within the 2023/24 TMSS report.

8 IMPLICATIONS

8.1 Financial Implications

8.1.1 This report is of a financial nature and reviews the treasury management function for 2022/23 to date. Any consequential financial impacts identified in the Capital strategy and Revenue budget monitoring reports have been incorporated into this report.

8.1.2 During the financial year Officers operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury management practices.

8.2 Legal Implications

8.2.1 Approval of the Prudential Code Indicators and the Treasury Management Strategy are intended to ensure that the Council complies with relevant legislation and best practice.

8.2.2 There have been no changes to PWLB borrowing arrangements since the last Treasury report, however there are changes to the Prudential and

Treasury Management codes from 2023/24. Officers will ensure that any changes are reflected in treasury operations and reporting requirements**.**

8.3 Risk Implications

8.3.1 The current policy of minimising external borrowing only remains financially viable while cash balances are high and the differentials between investment income and borrowing rates remain. As these conditions change the Council may need to take borrowing at higher rates which would increase revenue costs.

8.3.2 There remains uncertainty on the long-term implications of exiting the EU on the UK economy and borrowing rates. Officers monitor interest rate forecasts to inform the timing of borrowing decisions.

8.3.3 The Council's Treasury Management Strategy is based on limits for counterparties to reduce risk of investing with only a small number of institutions.

8.3.4 The thresholds and time limits set for investments in the Strategy are based on the relative ratings of investment vehicles and counter parties. These are designed to take into account the relative risk of investments and also to preclude certain grades of investments and counterparties to prevent loss of income to the Council.

8.3.5 There is a risk to the HRA BP's ability to fund the approved 30 year spending plans if interest rates continue to rise, this will included in the revision to the BP in December 2022.

8.4 Equalities and Diversity Implications

8.4.1 This report is technical in nature and there are no implications associated with equalities and diversity within this report. In addition to remaining within agreed counterparty rules, the council retains the discretion not to invest in countries that meet the minimum rating but where there are concerns over human rights issues. Counterparty rules will also be overlaid by any other ethical considerations from time to time as appropriate.

8.4.2 The Treasury Management Policy does not have the potential to discriminate against people on grounds of age; disability; gender; ethnicity; sexual orientation; religion/belief; or by way of financial exclusion. As such a detailed Equality Impact Assessment has not been undertaken.

8.5 Climate Change Implications

8.5.1 The council's investment portfolio is sterling investments and not directly in companies. However the TM team continue to review the use of Money Market funds to ensure, where possible, money market funds that invest in environmentally sustainable companies are used. In this way the TM team aligns with the Councils ambition to attempt to be carbon neutral by 2030.

Part I
Release to Press

BACKGROUND PAPERS

- BD1 Treasury Management Strategy including Prudential Code Indicators 2022/23 (Council 24 February 2022)

APPENDICES

- Appendix A - Prudential Indicators
- Appendix B - Investment and Borrowing Portfolio
- Appendix C - Specified and Non-Specified Investment Criteria
- Appendix D - Link detailed Economics and Interest rate forecasts 30 September 2022
- Appendix E - Counterparty List 30 September 2022

(a) Capital Expenditure

Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. This includes spending on assets owned by other bodies, loans and grants to other bodies enabling them to buy assets.

Capital Expenditure	31/03/2023 Estimate Q2 2022 £'000	30/09/2022 Actual £'000
General Fund	32,729	7,134
HRA	54,655	17,145
Total Capital Expenditure	**87,384**	**24,279**

(b) Capital Financing Requirement (CFR)

The Council's cumulative maximum external borrowing requirement for 2022/23 is shown in the table below:

Capital Financing Requirement	31/03/2023 Estimate Q2 2022 £'000	30/09/2022 Actual £'000
General Fund	56,530	49,821
HRA	268,738	261,405
Total CFR	**325,268**	**311,226**

(c) Gross Debt and Net Debt

The level of external borrowing is required to be compared to the Capital Financing Requirement which represents the underlying need to borrow. Requires that borrowing in the medium term can only be for capital purposes.

Debt	31/03/2023 Estimate Feb Council 22 £'000	30/09/2022 Actual £'000
General Fund	14,385	21,118
HRA	270,918	225,731
Less Investments	(47,735)	(63,425)
Total Debt	**237,569**	**183,424**

(d) Authorised Limit and Operational Boundary for External Debt

The operational boundary - is the maximum borrowing position of the Council expected during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

The authorised limit - A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

The table below demonstrates that during 2022/23 the Council has maintained gross borrowing within its authorised limit.

Authorised limits	Operational Boundary £'000	Authorised Limit £'000	Actual External Debt 30/09/2022 £'000
Borrowing	354,503	362,503	246,849
Less Investments			(63,425)
Total	**354,503**	**362,503**	**183,424**

(e) Ratio of financing costs to net revenue stream

General Fund: Net revenue stream is the RSG, NNDR grant and Council Tax raised for the year.

HRA: The net revenue stream is the total HRA income shown in the Council's accounts from received rents, service charges and other incomes. The ratio of financing costs to net revenue stream reflects the high level of debt as a result of self financing.

Ratio of financing costs to net revenue stream	31/03/2023 Estimate Feb Council 22 £'000	30/09/2022 Actual £'000
General Fund	5.52%	3.42%
HRA	17.18%	14.11%

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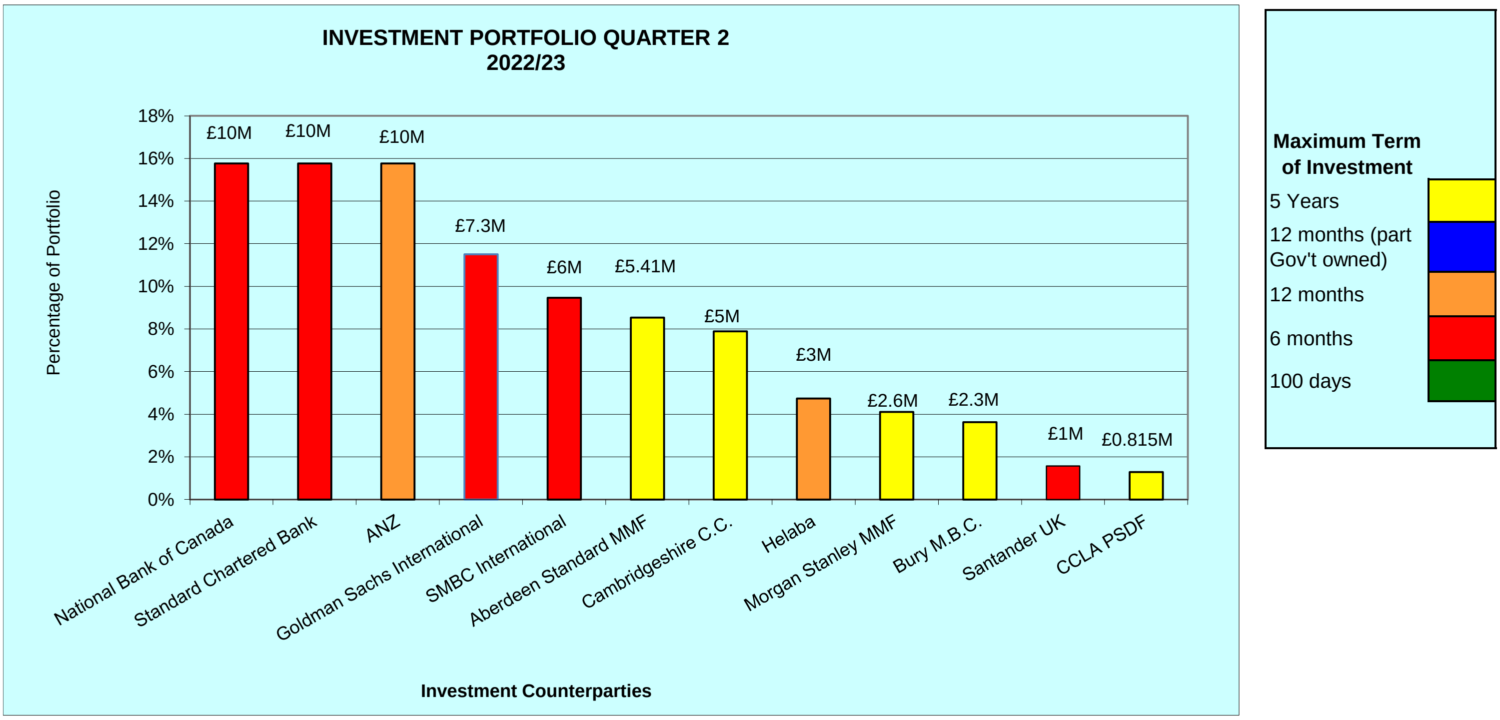
Appendix B

INVESTMENT PORTFOLIO QUARTER 2 (30th September 2022)

Average interest rate - 2021/2022	**0.35%**
Average interest rate - 2022/23 Q2	**1.04%**
Bank of England Bank Rate	**2.25%**

Borrower	Nation	Sovereign Rating (Fitch)	Amount £'s	From	To	Rate %
Money Market Funds (Instant Access)						
Aberdeen MMF			5,410,000			2.41
CCLA PSDF			815,000			1.95
Morgan Stanley MMF			2,600,000			2.16
60 Day Notice						
Santander UK	UK	AA-	1,000,000			1.80
95 Day Notice						
Standard Chartered Bank	UK	AA-	7,000,000			2.50
Fixed Term Deposit						
Standard Chartered Bank	UK	AA-	3,000,000	30-Jun-22	03-Oct-22	1.57
National Bank of Canada	Can	AA+	5,000,000	30-Jun-22	03-Oct-22	1.47
National Bank of Canada	Can	AA+	5,000,000	03-Aug-22	03-Feb-23	2.43
Goldman Sachs International	UK	AA-	2,000,000	04-Aug-22	03-Feb-23	2.31
Landesbank Hessen Thueringen (Helaba)	UK	AA-	3,000,000	18-Aug-22	18-Jan-23	2.60
SMBC Bank International	UK	AA-	6,000,000	26-Aug-22	24-Feb-23	2.95
Australia & New Zealand Banking Corp (ANZ)	Aus	AAA	2,700,000	30-Sep-22	28-Mar-23	4.33
Australia & New Zealand Banking Corp (ANZ)	Aus	AAA	5,000,000	27-Sep-21	28-Nov-22	3.01
Goldman Sachs International	UK	AA-	5,300,000	30-Sep-22	28-Mar-23	4.27
Cambridgeshire C.C.	UK	AA-	5,000,000	13-Apr-21	12-Apr-23	0.44
Bury M.B.C.	UK	AA-	2,300,000	18-May-20	18-Nov-24	2.00
Australia & New Zealand Banking Corp (ANZ)	Aus	AAA	2,300,000	19-Oct-21	18-Oct-22	0.62
			63,425,000			



Appendix B

LOAN PORTFOLIO QUARTER 2 (30th September 2022)

Decent Homes Borrowing

Lender	Type	Rate %	Amount £'s	From	To	Life of Loan
PWLB	Fixed Rate/Maturity	4.75	2,000,000	04/03/2010	04/03/2035	25 years
PWLB	Fixed Rate/Maturity	4.28	1,800,000	25/05/2010	25/05/2035	25 years
PWLB	Fixed Rate/Maturity	4.24	963,000	17/08/2010	17/08/2035	25 years
PWLB	Fixed Rate/Maturity	4.65	3,000,000	25/03/2010	25/09/2035	25 1/2 years
PWLB	Fixed Rate/Maturity	1.72	510,000	25/03/2020	25/03/2045	25 Years
PWLB	Fixed Rate/Maturity	1.60	3,500,000	25/03/2020	25/03/2037	17 years
PWLB	Fixed Rate/Maturity	2.06	10,000,000	30/03/2021	30/03/2041	20 years
PWLB	Fixed Rate/Maturity	2.24	4,047,150	03/02/2022	03/02/2043	21 years
PWLB	Fixed Rate/Maturity	2.22	5,000,000	03/02/2022	03/08/2047	25 1/2 years
			30,820,150			

Self Financing Borrowing

Lender	Type	Rate %	Amount £'s	From	To	Life of Loan
PWLB	Fixed Rate/Maturity	2.92	500,000	28/03/2012	28/03/2026	14 years
PWLB	Fixed Rate/Maturity	3.01	8,000,000	28/03/2012	28/03/2027	15 years
PWLB	Fixed Rate/Maturity	3.08	8,700,000	28/03/2012	28/03/2028	16 years
PWLB	Fixed Rate/Maturity	3.15	9,600,000	28/03/2012	28/03/2029	17 years
PWLB	Fixed Rate/Maturity	3.21	10,600,000	28/03/2012	28/03/2030	18 years
PWLB	Fixed Rate/Maturity	3.26	11,000,000	28/03/2012	28/03/2031	19 years
PWLB	Fixed Rate/Maturity	3.30	16,000,000	28/03/2012	28/03/2032	20 years
PWLB	Fixed Rate/Maturity	3.34	17,500,000	28/03/2012	28/03/2033	21 years
PWLB	Fixed Rate/Maturity	3.37	17,600,000	28/03/2012	28/03/2034	22 years
PWLB	Fixed Rate/Maturity	3.40	17,300,000	28/03/2012	28/03/2035	23 years
PWLB	Fixed Rate/Maturity	3.42	15,300,000	28/03/2012	28/03/2036	24 years
PWLB	Fixed Rate/Maturity	3.44	21,000,000	28/03/2012	28/03/2037	25 years
PWLB	Fixed Rate/Maturity	3.46	18,200,000	28/03/2012	28/03/2038	26 years
PWLB	Fixed Rate/Maturity	3.47	19,611,000	28/03/2012	28/03/2039	27 years
PWLB	Fixed Rate/Maturity	3.48	4,000,000	28/03/2012	28/03/2040	28 years
			194,911,000			

General Fund Prudential Borrowing

Lender	Type	Rate %	Amount £'s	From	To	Life of Loan
PWLB	Fixed Rate/EIP	2.37	131,579	19/08/2013	19/02/2022	9 1/2 years
PWLB	Fixed Rate	2.29	1,755,950	19/03/2018	19/03/2028	10 years
			1,887,529			

Total Borrowing	**227,618,679**

Specified and Non-specified Investment Criteria
(including Treasury Limits and Procedures)

Table 1 **Specified Investments** are sterling denominated with maturities up to maximum of one year and must meet the following minimum high credit quality criteria:

Investment Counterparty	Investment Instrument	Minimum High Credit Quality Criteria	Investment Duration
Banks or Building Societies	Overnight Deposit	Fitch: Short Term F1 and Long Term A and Moody, Standard & Poor, equivalent where rated, the lowest rating used where different OR Part-nationalised or Nationalised UK banking institutions (subject to regular reviews of government share percentage).	Maximum duration as per Treasury Advisor's (Capita's) colour coded Credit List, and less than one year
	Notice Account		
	Short Term Deposit		
Debt Management Office or UK Local Authority	Any deposit	No limit.	
Money Market Funds	Instant Access or with Notice	AAA rated	Instant Access or notice period up to one year

Table 2 **Non-Specified Investment** are sterling denominated with a maturity longer than one year but no longer than five years, and must meet the following criteria:

Investment Counterparty	Investment Instrument	Minimum High Credit Quality Criteria	Investment Duration
Banks or Building Societies	Any deposits with maturity up to a maximum of five years	Fitch: Short Term F1+ and Long Term AA- and Moody, Standard & Poor, equivalent where rated, the lowest rating used where different	Maximum duration suggested by Treasury Advisor's (Capita's) colour coded Credit List, and not in excess of five years
Debt Management Office or UK Local Authority		No Limit.	

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Table 3 **Treasury Limits**

Investment Instrument	Cash balances less than £30Million Limits	Cash balances higher that £30Million Limits
Variable Rate Investments (Excluding Enhanced Cash Funds)	Maximum holding £30M	Maximum holding 100%
Counterparty limits (to encompass all forms of investment)	Maximum £5M	Maximum £10M
Instant Access Or Overnight Deposit	Maximum holding 100%	
Fixed Rate less than 12 month maturity	Maximum holding 100%	
Fixed Rate more than 12 months to maturity (includes all types of Fixed Rate Investments i.e. Certificates of Deposits)	Maximum £5M	Maximum £10M
Money Market Funds - Traditional Instant Assess (Counterparty Limit per Fund)	Maximum £5M per MMF	Maximum £10M per MMF
	No limit on total cash held	
Enhanced Cash Funds	Maximum £3M	
Certifcates of Deposits	Maximum £5M	
Property Funds	Maximum of £3M - No durational limit. Use would be subject to consultation and approval	

	Procedures of Applying the Criteria and Limits
	Before the Treasury Team makes an investment, the Team will follow the follow procedure to ensure full compliance with the Specified and Non-Specified Criteria and Treasury Limits:
1	Check that the Counterparty is on the Counterparty List (also known as Current Counterparty Report for Stevenage) produced by Link Asset Services (LAS), specifically meeting the Council's Specified and Non-specified Minimum High Credit Quality Criteria in the above Table 1 & 2. If it is not on the list, the Treasury Team will not invest with them.
2	If the Counterparty is on the list, then the Treasury Team refers to the Credit List produced by LAS in colour coding, to determine the maximum investment duration suggested for the deposit, as per the column of Suggested Duration (CDS Adjusted with manual override).
3	Refer to the Treasury Limits in the above Table 3 to ensure the amount invested complies with the Treasury Limits.

1 Economics update

- The second quarter of 2022/23 saw:
  - GDP revised upwards in Q1 2022/23 to +0.2% q/q from -0.1%, which means the UK economy has avoided recession for the time being;
  - Signs of economic activity losing momentum as production fell due to rising energy prices;
  - CPI inflation ease to 9.9% y/y in August, having been 9.0% in April, but domestic price pressures showing little sign of abating in the near-term;
  - The unemployment rate fall to a 48-year low of 3.6% due to a large shortfall in labour supply;
  - Bank Rate rise by 100bps over the quarter, taking Bank Rate to 2.25% with further rises to come;
  - Gilt yields surge and sterling fall following the "fiscal event" of the new Prime Minister and Chancellor on 23rd September.
- The UK economy grew by 0.2% q/q in Q1 2022/23, though revisions to historic data left it below pre-pandemic levels.
- There are signs of higher energy prices creating more persistent downward effects in economic activity. Both industrial production (-0.3% m/m) and construction output (-0.8% m/m) fell in July 2022 for a second month in a row. Although some of this was probably due to the heat wave at the time, manufacturing output fell in some of the most energy intensive sectors (e.g., chemicals), pointing to signs of higher energy prices weighing on production. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months.
- The fall in the composite PMI from 49.6 in August to a 20-month low preliminary reading of 48.4 in September points to a fall in GDP of around 0.2% q/q in Q3 and consumer confidence is at a record low. Retail sales volumes fell by 1.6% m/m in August, which was the ninth fall in 10 months. That left sales volumes in August just 0.5% above their pre-Covid level and 3.3% below their level at the start of the year. There are also signs that households are spending their excess savings in response to high prices. Indeed, cash in households' bank accounts rose by £3.2bn in August, which was below the £3.9bn rise in July and much smaller than the 2019 average monthly rate of £4.6bn.
- The labour market remained exceptionally tight. Data for July and August provided further evidence that the weaker economy is leading to a cooling in labour demand. Labour Force Survey (LFS) employment rose by 40,000 in the three months to July (the smallest rise since February). But a renewed rise in inactivity of 154,000 over the same period meant that the unemployment rate fell from 3.8% in June to a new 48-year low of 3.6%. The single-month data showed that inactivity rose by 354,000 in July itself and there are now 904,000 more inactive people aged 16+ compared to before the pandemic in February 2020. The number of vacancies has started to level off from recent record highs but there have been few signs of a slowing in the upward momentum on wage growth. Indeed, in July, the 3my/y rate of average earnings growth rose from 5.2% in June to 5.5%.
- CPI inflation eased from 10.1% in July to 9.9% in August, though inflation has not peaked yet. The easing in August was mainly due to a decline in fuel prices reducing fuel inflation from 43.7% to 32.1%. And with the oil price now just below $90pb, we would expect to see fuel prices fall further in the coming months.
- However, utility price inflation is expected to add 0.7% to CPI inflation in October when the Ofgem unit price cap increases to, typically, £2,500 per household (prior to any benefit payments). But, as the government has frozen utility prices at that level for two years, energy price inflation will fall sharply after October and have a big downward influence on CPI inflation.
- Nonetheless, the rise in services CPI inflation from 5.7% y/y in July to a 30-year high of 5.9% y/y in August suggests that domestic price pressures are showing little sign of abating. A lot of that is being driven by the tight labour market and strong wage growth. CPI inflation is expected to peak close to 10.4% in November and, with the supply of workers set to remain unusually low, the tight labour market will keep underlying inflationary pressures strong until early next year.

- During H1 2022, there has been a change of both Prime Minister and Chancellor. The new team (Liz Truss and Kwasi Kwarteng) have made a step change in government policy. The government's huge fiscal loosening from its proposed significant tax cuts will add to existing domestic inflationary pressures and will potentially leave a legacy of higher interest rates and public debt. Whilst the government's utility price freeze, which could cost up to £150bn (5.7% of GDP) over 2 years, will reduce peak inflation from 14.5% in January next year to 10.4% in November this year, the long list of tax measures announced at the "fiscal event" adds up to a loosening in fiscal policy relative to the previous government's plans of £44.8bn (1.8% of GDP) by 2026/27. These included the reversal of April's national insurance tax on 6th November, the cut in the basic rate of income tax from 20p to 19p in April 2023, the cancellation of next April's corporation tax rise, the cut to stamp duty and the removal of the 45p tax rate, although the 45p tax rate cut announcement has already been reversed.
- Fears that the government has no fiscal anchor on the back of these announcements has meant that the pound has weakened again, adding further upward pressure to interest rates. Whilst the pound fell to a record low of $1.035 on the Monday following the government's "fiscal event", it has since recovered to around $1.12. That is due to hopes that the Bank of England will deliver a very big rise in interest rates at the policy meeting on 3rd November and the government will lay out a credible medium-term plan in the near term. This was originally expected as part of the fiscal statement on 23rd November but has subsequently been moved forward to an expected release date in October. Nevertheless, with concerns over a global recession growing, there are downside risks to the pound.
- The MPC has now increased interest rates seven times in as many meetings in 2022 and has raised rates to their highest level since the Global Financial Crisis. Even so, coming after the Fed and ECB raised rates by 75 basis points (bps) in their most recent meetings, the Bank of England's latest 50 basis points hike looks relatively dovish. However, the UK's status as a large importer of commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.
- Since the fiscal event on 23rd September, we now expect the Monetary Policy Committee (MPC) to increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The combination of the government's fiscal loosening, the tight labour market and sticky inflation expectations means we expect the MPC to raise interest rates by 100bps at the policy meetings in November (to 3.25%) and 75 basis points in December (to 4%) followed by further 50 basis point hikes in February and March (to 5.00%). Market expectations for what the MPC will do are volatile. If Bank Rate climbs to these levels the housing market looks very vulnerable, which is one reason why the peak in our forecast is lower than the peak of 5.50% - 5.75% priced into the financial markets at present.
- Throughout 2022/23, gilt yields have been on an upward trend. They were initially caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May. The rises in two-year gilt yields (to a peak of 2.37% on 21st June) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. However, the upward trend was exceptionally sharply at the end of September as investors demanded a higher risk premium and expected faster and higher interest rate rises to offset the government's extraordinary fiscal stimulus plans. The 30-year gilt yield rose from 3.60% to 5.10% following the "fiscal event", which threatened financial stability by forcing pension funds to sell assets into a falling market to meet cash collateral requirements. In response, the Bank did two things. First, it postponed its plans to start selling some of its quantitative easing (QE) gilt holdings until 31st October. Second, it committed to buy up to £65bn of long-term gilts to "restore orderly market conditions" until 14th October. In other words, the Bank is restarting QE, although for financial stability reasons rather than monetary policy reasons.
- Since the Bank's announcement on 28th September, the 30-year gilt yield has fallen back from 5.10% to 3.83%. The 2-year gilt yield dropped from 4.70% to 4.30% and the 10-year yield fell back from 4.55% to 4.09%.
- There is a possibility that the Bank continues with QE at the long-end beyond 14th October or it decides to delay quantitative tightening beyond 31st October, even as it raises interest rates. So far at least, investors seem to have taken the Bank at its word that this is not a change in the direction of monetary policy nor a step towards monetary financing of the government's deficit. But instead, that it is a temporary intervention with financial stability in mind.

- After a shaky start to the year, the S&P 500 and FTSE 100 climbed in the first half of Q2 2022/23 before falling to their lowest levels since November 2020 and July 2021 respectively. The S&P 500 is 7.2% below its level at the start of the quarter, whilst the FTSE 100 is 5.2% below it as the fall in the pound has boosted the value of overseas earnings in the index. The decline has, in part, been driven by the rise in global real yields and the resulting downward pressure on equity valuations as well as concerns over economic growth leading to a deterioration in investor risk appetite.

2 Interest rate forecasts

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

The latest forecast on 27th September sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, whilst the government is providing a package of fiscal loosening to try and protect households and businesses from the ravages of ultra-high wholesale gas and electricity prices.

The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally but more so the disaffection investors have with the position of the UK public finances after September's "fiscal event". To that end, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control, but its job is that much harder now.

Our PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1st November 2012.

Link Group Interest Rate View	27.09.22											
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

List of Sugested Counterparties for Lending for Stevenage Borough Council.

Any values highlighted in yellow have undergone a change in the past 14 days.

Counterparty			Fitch Ratings			Moodys Ratings			S&P Ratings									
				Long Term	Short Term		Long Term	Short Term		Long Term	Short Term	Band Name	CDS Price	CDS Status	(CDS Adjusted with manual override)	Monetary Limit	Duration	Notes
Australia			SB	AAA		SB	Aaa		SB	AAA			25.06					
Banks		Australia and New Zealand Banking Group Ltd.	SB	A+	F1	SB	Aa3	P-1	SB	AA-	A-1+	Banks	70.66	●	O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
		Commonwealth Bank of Australia	SB	A+	F1	SB	Aa3	P-1	SB	AA-	A-1+	Banks	73.91	●	O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
		Macquarie Bank Ltd.	SB	A	F1	PO	A2	P-1	SB	A+	A-1	Banks			R - 6 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
		National Australia Bank Ltd.	SB	A+	F1	SB	Aa3	P-1	SB	AA-	A-1+	Banks	75.91	●	O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
		Westpac Banking Corp.	SB	A+	F1	SB	Aa3	P-1	SB	AA-	A-1+	Banks	72.03	●	O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
Belgium			SB	AA-		SB	Aa3		SB	AA			19.97					
Banks		BNP Paribas Fortis	SB	A+	F1	SB	A1	P-1	SB	A+	A-1	Banks			R - 6 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
		KBC Bank N.V.	SB	A+	F1	PO	A1	P-1	SB	A+	A-1	Banks			O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
Canada			SB	AA+		SB	Aaa		SB	AAA			39.26					
Banks		Bank of Montreal	NO	AA-	F1+	SB	Aa2	P-1	SB	A+	A-1	Banks			O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
		Bank of Nova Scotia	SB	AA-	F1+	SB	Aa2	P-1	SB	A+	A-1	Banks			O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
		Canadian Imperial Bank of Commerce	SB	AA-	F1+	SB	Aa2	P-1	SB	A+	A-1	Banks			O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
		National Bank of Canada	SB	A+	F1	SB	Aa3	P-1	SB	A	A-1	Banks			R - 6 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
		Royal Bank of Canada	SB	AA-	F1+	SB	Aa1	P-1	SB	AA-	A-1+	Banks			O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
		Toronto-Dominion Bank	SB	AA-	F1+	SB	Aa1	P-1	SB	AA-	A-1+	Banks			O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
Denmark			SB	AAA		SB	Aaa		SB	AAA			13.99					
Banks		Danske A/S	SB	A	F1	SB	A2	P-1	NO	A+	A-1	Banks	84.60	●	R - 6 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
Finland			SB	AA+		SB	Aa1		SB	AA+			22.49					

Counterparty			Fitch Ratings	Long Term	Short Term	Moodys Ratings	Long Term	Short Term	S&P Ratings	Long Term	Short Term	Band Name	CDS Price	CDS Status	(CDS Adjusted with manual override)	Monetary Limit	Duration	Notes
	Banks	Nordea Bank Abp	SB	AA-	F1+	SB	Aa3	P-1	SB	AA-	A-1+	Banks			O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
		OP Corporate Bank plc		WD	WD	SB	Aa3	P-1	SB	AA-	A-1+	Banks			O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
France			NO	AA		SB	Aa2		SB	AA			20.00					
	Banks	BNP Paribas	SB	A+	F1	SB	Aa3	P-1	SB	A+	A-1	Banks	87.09	●	O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
		Credit Agricole Corporate and Investment Bank	SB	A+	F1	SB	Aa3	P-1	SB	A+	A-1	Banks	61.97	●	O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
		Credit Agricole S.A.	SB	A+	F1	SB	Aa3	P-1	SB	A+	A-1	Banks	82.62	●	O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
		Credit Industriel et Commercial	SB	A+	F1	SB	Aa3	P-1	SB	A+	A-1	Banks			O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
Germany			SB	AAA		SB	Aaa		SB	AAA			17.49					
	Banks	Commerzbank AG		WD	WD	SB	A1	P-1	SB	BBB+	A-2	Commerzbank	137.61	●	G - 100 days			(M) BONDSMAN ONLY
		DZ BANK AG Deutsche Zentral-Genossenschaftsbank	SB	AA-	F1+	SB	Aa2	P-1	SB	A+	A-1	Banks			O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
		Landesbank Berlin AG				SB	Aa3	P-1				Banks			O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
		Landesbank Hessen-Thueringen Girozentrale	SB	A+	F1+	SB	Aa3	P-1		NR	NR	Banks	63.36	●	O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
		Landwirtschaftliche Rentenbank	SB	AAA	F1+	SB	Aaa	P-1	SB	AAA	A-1+	Banks			P - 24 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
		NRW.BANK	SB	AAA	F1+	SB	Aa1	P-1	SB	AA	A-1+	Banks			P - 24 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
Netherlands			SB	AAA		SB	Aaa		SB	AAA			13.98					
	Banks	ABN AMRO Bank N.V.	SB	A	F1	SB	A1	P-1	SB	A	A-1	Banks			R - 6 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
		Bank Nederlandse Gemeenten N.V.	SB	AAA	F1+	SB	Aaa	P-1	SB	AAA	A-1+	Banks			P - 24 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
		Cooperatieve Rabobank U.A.	SB	A+	F1	SB	Aa2	P-1	SB	A+	A-1	Banks			O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
		ING Bank N.V.	SB	AA-	F1+	SB	Aa3	P-1	SB	A+	A-1	Banks	55.29	●	O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
		Nederlandse Waterschapsbank N.V.				SB	Aaa	P-1	SB	AAA	A-1+	Banks			P - 24 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
Norway			SB	AAA		SB	Aaa		SB	AAA			13.99					
	Banks	DNB Bank ASA				NO	Aa2	P-1	SB	AA-	A-1+	Banks			O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours

Counterparty			Fitch Ratings Long Term	Fitch Ratings Short Term		Moodys Ratings Long Term	Moodys Ratings Short Term		S&P Ratings Long Term	S&P Ratings Short Term	Band Name	CDS Price	CDS Status	(CDS Adjusted with manual override)	Monetary Limit	Duration	Notes
Qatar		SB	AA-		SB	Aa3		SB	AA-			58.64					
Banks	Qatar National Bank	SB	A	F1	SB	Aa3	P-1	SB	A	A-1	Banks	81.92	●	R - 6 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
Singapore		SB	AAA		SB	Aaa		SB	AAA								
Banks	DBS Bank Ltd.	SB	AA-	F1+	SB	Aa1	P-1	SB	AA-	A-1+	Banks			O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
	Oversea-Chinese Banking Corp. Ltd.	SB	AA-	F1+	SB	Aa1	P-1	SB	AA-	A-1+	Banks			O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
	United Overseas Bank Ltd.	NO	AA-	F1+	SB	Aa1	P-1	SB	AA-	A-1+	Banks			O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
Sweden		SB	AAA		SB	Aaa		SB	AAA			16.54					
Banks	Skandinaviska Enskilda Banken AB	SB	AA-	F1+	SB	Aa3	P-1	SB	A+	A-1	Banks			O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
	Svenska Handelsbanken AB	SB	AA	F1+	SB	Aa2	P-1	SB	AA-	A-1+	Banks			O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
	Swedbank AB	SB	AA-	F1+	NO	Aa3	P-1	SB	A+	A-1	Banks			O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
Switzerland		SB	AAA		SB	Aaa		SB	AAA			19.00					
Banks	UBS AG	SB	AA-	F1+	SB	Aa2	P-1	SB	A+	A-1	Banks	107.92	●	O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
United Arab Emirates		SB	AA		SB	Aa2		SB	AA			58.14					
Banks	First Abu Dhabi Bank PJSC	SB	AA-	F1+	SB	Aa3	P-1	SB	AA-	A-1+	Banks			O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
United Kingdom		SB	AA-		SB	Aa3		SB	AA			45.05					
AAA rated and Government backed securities	Debt Management Office										Debt Management Office			Y - 60 mths			(M)
Banks	Al Rayan Bank Plc				SB	A1	P-1				Banks			R - 6 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
	Bank of Scotland PLC (RFB)	SB	A+	F1	SB	A1	P-1	SB	A+	A-1	Banks	49.64	●	R - 6 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
	Barclays Bank PLC (NRFB)	SB	A+	F1	SB	A1	P-1	PO	A	A-1	Banks	144.59	●	R - 6 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
	Barclays Bank UK PLC (RFB)	SB	A+	F1	SB	A1	P-1	PO	A	A-1	Banks			R - 6 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
	Goldman Sachs International Bank	SB	A+	F1	SB	A1	P-1	SB	A+	A-1	Banks	142.51	●	R - 6 mths	5 Million		*£10 Mln. Time duration as per LAS Colours

Counterparty			Fitch Ratings Long Term	Fitch Ratings Short Term		Moodys Ratings Long Term	Moodys Ratings Short Term		S&P Ratings Long Term	S&P Ratings Short Term	Band Name	CDS Price	CDS Status	(CDS Adjusted with manual override)	Monetary Limit	Duration	Notes
Banks	Handelsbanken Plc	SB	AA	F1+				SB	AA-	A-1+	Banks			O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
	HSBC Bank PLC (NRFB)	SB	AA-	F1+	SB	A1	P-1	SB	A+	A-1	Banks	90.07	●	O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
	HSBC UK Bank Plc (RFB)	SB	AA-	F1+	SB	A1	P-1	SB	A+	A-1	Banks			O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
	Lloyds Bank Corporate Markets Plc (NRFB)	SB	A+	F1	SB	A1	P-1	SB	A	A-1	Banks			R - 6 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
	Lloyds Bank Plc (RFB)	SB	A+	F1	SB	A1	P-1	SB	A+	A-1	Banks	95.03	●	R - 6 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
	National Bank Of Kuwait (International) PLC	SB	A+	F1				SB	A	A-1	Banks			R - 6 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
	Santander UK PLC	SB	A+	F1	SB	A1	P-1	SB	A	A-1	Banks			R - 6 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
	SMBC Bank International Plc	NO	A	F1	SB	A1	P-1	SB	A	A-1	Banks			R - 6 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
	Standard Chartered Bank	SB	A+	F1	SB	A1	P-1	SB	A+	A-1	Banks	85.10	●	R - 6 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
Building Society	Nationwide Building Society	SB	A	F1	SB	A1	P-1	SB	A+	A-1	Banks			R - 6 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
Nationalised and Part Nationalised Banks	National Westminster Bank PLC (RFB)	SB	A+	F1	SB	A1	P-1	SB	A	A-1	P/N			B - 12 mths	5 Million		(M) *£10 Mln. Time duration as per LAS Colours
	The Royal Bank of Scotland Plc (RFB)	SB	A+	F1	SB	A1	P-1	SB	A	A-1	P/N			B - 12 mths	5 Million		(M) *£10 Mln. Time duration as per LAS Colours
United States		SB	AAA			Aaa		SB	AA+			27.49					
Banks	Bank of America N.A.	SB	AA	F1+	PO	Aa2	P-1	PO	A+	A-1	Banks			O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
	Bank of New York Mellon, The	SB	AA	F1+	SB	Aa1	P-1	SB	AA-	A-1+	Banks			P - 24 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
	Citibank N.A.	SB	A+	F1	SB	Aa3	P-1	SB	A+	A-1	Banks	132.74	●	O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours
	JPMorgan Chase Bank N.A.	SB	AA	F1+	SB	Aa1	P-1	PO	A+	A-1	Banks			O - 12 mths	5 Million		*£10 Mln. Time duration as per LAS Colours

Advisory notes:

Commerzbank is not to be used for Treasury Investment and is only on the list to monitor the creditworthiness of the Bondsman used as part of a contract the Authority has entered into

Local Authorities - 5 Years - £10m per LA when balances are over £30m; £5m per LA when balances are under £30m

Money Market Funds - n/a time limit - 5m/£10m per MMF fund = Cash balances less than £30m / Cash balances higher than £30m

Property Funds - No time limit - £3m in total

Enhanced Cash Funds - No time limit - £3m in total

Certificates of Deposit - No time limit - £5m in total

Investment Time Duration as per CAS colours

* £5m/£10m = Cash balances less than £30m / Cash balances higher than £30m

Instant access or overnight deposit = Maximum holding 100%

(M) = Manually added counterparty. If a rating changes for this institution it will not alter its status on the counterparty list, or limits assigned to it.

Key

Watches and Outlooks	
SB	Stable Outlook
NO	Negative Outlook
NW	Negative Watch
PO	Positive Outlook
PW	Positive Watch
EO	Evolving Outlook
EW	Evolving Watch
WD	Rating Withdrawn

CDS

Indicator	Status
● (green)	In Range
● (orange)	Monitoring
● (red)	Out of Range

Duration	**Colour**	**Name**
0		P/N
0		Banks
0		Debt Management Office
0		Commerzbank

Please note that the Link Group suggested methodology applies a minimum non-UK sovereign criteria of “AA-”. In instances where individual client criteria allows for the potential use of entities from lower rated sovereigns, suggested duration columns in these lists may show a “colour”, but this will purely be based on the ratings / CDS of the individual entity. It will not take account of the sovereign rating, which alone may provide a reason for it not being included within the Link Treasury Services Limited suggested list of counterparties. Please also note that CDS values are as at the close of business from the previous day.

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Agenda Item 9

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