Gloucester City Council

Cabinet

Meeting: Wednesday, 9th March 2022 at 6.00 pm in Civic Suite, North Warehouse, The Docks, Gloucester, GL1 2EP

Membership:	Cllrs. Cook (Leader of the Council and Cabinet Member for Environment) (Chair), H. Norman (Deputy Leader of the Council and Cabinet Member for Performance and Resources), S. Chambers, Hudson (Cabinet Member for Communities and Neighbourhoods) and Lewis (Cabinet Member for Culture and Leisure)
Contact:	Democratic and Electoral Services 01452 396126 democratic.services@gloucester.gov.uk

AGENDA

1.	**APOLOGIES** To receive any apologies for absence.
2.	**DECLARATIONS OF INTEREST** To receive from Members, declarations of the existence of any disclosable pecuniary, or non-pecuniary, interests and the nature of those interests in relation to any agenda item. Please see Agenda Notes.
3.	**MINUTES** (Pages 7 - 12) To approve as a correct record the minutes of the meeting held on 9th February 2022.
4.	**PUBLIC QUESTION TIME (15 MINUTES)** The opportunity is given to members of the public to put questions to Cabinet Members or Committee Chairs provided that a question does not relate to: • Matters which are the subject of current or pending legal proceedings or • Matters relating to employees or former employees of the Council or comments in respect of individual Council Officers. To ask a question at this meeting, please submit it to democratic.services@gloucester.gov.uk by Friday 4th March 2022 or telephone 01452 396203 for support.

5.	**PETITIONS AND DEPUTATIONS (15 MINUTES)** To receive any petitions or deputations provided that no such petition or deputation is in relation to: • Matters relating to individual Council Officers, or • Matters relating to current or pending legal proceedings
6.	**LEADER AND CABINET MEMBERS' QUESTION TIME (15 MINUTES)** Any Member of the Council may ask the Leader of the Council or any Cabinet Member any question without prior notice, upon: • Any matter relating to the Council's administration • Any matter relating to any report of the Cabinet appearing on the summons • A matter coming within their portfolio of responsibilities Only one supplementary question is allowed per question.
7.	**CULTURAL STRATEGY PROGRESS REPORT** (Pages 13 - 24) To consider the report of the Cabinet Member for Culture and Leisure providing an overview of progress made against the Cultural Strategy for the year January to December 2021.
8.	**PUBLIC ACCESS DEFIBRILLATOR PROVISIONS** (Pages 25 - 30) To consider the report of the Cabinet Member for Communities and Neighbourhoods outlining the considerations made in identifying locations for new Public Access Defibrillators (PADs).
9.	**TO APPROVE THE USE OF COMMUNITY PROTECTION NOTICES** (Pages 31 - 40) To consider the report of the Cabinet Member for Communities and Neighbourhoods outlining how the Council intends to implement Community Protection Notices provided in Part 4 of the Anti-Social Behaviour, Crime and Policing Act 2014, including setting the threshold for cases to be considered for these enforcement powers.
10.	**PERFORMANCE MONITORING QUARTER 3 - 2021/22** (Pages 41 - 54) To consider the report of the Cabinet Member for Performance and Resources informing Members of the Council's performance against key measures in Quarter 3 of 2021/22.
11.	**FINANCIAL MONITORING QUARTER 3 - 2021/22** (Pages 55 - 70) To consider the report of the Cabinet Member for Performance and Resources seeking Members to note year-end forecasts, and the financial pressures on the Council during the 3rd Quarter ended 31st September 2022.

12.	**CAPITAL STRATEGY 2022/23** (Pages 71 - 82) To consider the report of the Cabinet Member for Performance and Resources seeking Members to recommend the Capital Strategy 2022/23 to Council for approval.
13.	**TREASURY MANAGEMENT STRATEGY 2022/23** (Pages 83 - 122) To consider the report of the Cabinet Member for Performance and Resources seeking for Members to recommend that Council approves the Treasury Management Strategy, prudential indicators and notes the Treasury activities.
14.	**PAY POLICY STATEMENT 2022/23** (Pages 123 - 134) To consider the report of the Cabinet Member for Performance and Resources seeking for Members to recommend that Council approves the Council's Pay Policy Statement for 2022/23.

Jon McGinty
Managing Director

Date of Publication: Tuesday, 1 March 2022

NOTES

Disclosable Pecuniary Interests
The duties to register, disclose and not to participate in respect of any matter in which a member has a Disclosable Pecuniary Interest are set out in Chapter 7 of the Localism Act 2011.

Disclosable pecuniary interests are defined in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 as follows –

Interest	Prescribed description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the Council) made or provided within the previous 12 months (up to and including the date of notification of the interest) in respect of any expenses incurred by you carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between you, your spouse or civil partner or person with whom you are living as a spouse or civil partner (or a body in which you or they have a beneficial interest) and the Council (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged
Land	Any beneficial interest in land which is within the Council's area. For this purpose "land" includes an easement, servitude, interest or right in or over land which does not carry with it a right for you, your spouse, civil partner or person with whom you are living as a spouse or civil partner (alone or jointly with another) to occupy the land or to receive income.
Licences	Any licence (alone or jointly with others) to occupy land in the Council's area for a month or longer.
Corporate tenancies	Any tenancy where (to your knowledge) – (a) the landlord is the Council; and (b) the tenant is a body in which you, your spouse or civil partner or a person you are living with as a spouse or civil partner has a beneficial interest
Securities	Any beneficial interest in securities of a body where – (a) that body (to your knowledge) has a place of business or land in the Council's area and (b) either – i. The total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or ii. If the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, your spouse or civil partner or person with

whom you are living as a spouse or civil partner has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

For this purpose, “securities” means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

NOTE: the requirements in respect of the registration and disclosure of Disclosable Pecuniary Interests and withdrawing from participating in respect of any matter where you have a Disclosable Pecuniary Interest apply to your interests and those of your spouse or civil partner or person with whom you are living as a spouse or civil partner where you are aware of their interest.

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- You should proceed calmly; do not run and do not use the lifts;
- Do not stop to collect personal belongings;
- Once you are outside, please do not wait immediately next to the building; gather at the assembly point in the car park and await further instructions;
- Do not re-enter the building until told by a member of staff or the fire brigade that it is safe to do so.

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Gloucester City Council

CABINET

MEETING : Wednesday, 9th February 2022

PRESENT : Cllrs. Cook (Chair), Norman, S. Chambers, Hudson and Lewis

Others in Attendance
Cllrs. Hilton, Wilson
Managing Director
Director of Communities
Director of Policy and Resources
Head of Culture
Housing and Innovation Manager
Democratic and Electoral Services Officer

APOLOGIES : None

82. DECLARATIONS OF INTEREST

There were no declarations of interest.

83. MINUTES

RESOLVED that the minutes of the meeting held on 12th January 2022 are confirmed as a correct record and signed by the Chair in due course.

84. PUBLIC QUESTION TIME (15 MINUTES)

There were no public questions.

85. PETITIONS AND DEPUTATIONS (15 MINUTES)

There were no petitions or deputations.

86. LEADER AND CABINET MEMBERS' QUESTION TIME (15 MINUTES)

In respect of question 2 Councillor Wilson asked if the other sources of funding and earmarked reserves referred to in the response had been identified yet. The Cabinet Member for Performance and Resources confirmed that the route to recovery and its requirements were still being formulated. She reassured Councillor Wilson that these would be shared with Group Leaders when known.

In respect of question 3 Councillor Wilson sought clarification on whether the cyber incident review would be independent. The Leader of the Council replied that although he believed an independent review might be beneficial, the decision would be taken when the recovery stage had progressed. The Cabinet Member for Performance and Resources pointed out that independent advice was being received as part of the recovery process so that an independent element might well be seen in any kind of review.

In respect of question 4 Councillor Hilton enquired if any other projects such as the redevelopment of the Herbert Kimberley and Phillpotts (HKP) warehouses, Eastgate Shopping Centre or Council offices relocation were expected to be delayed. The Leader of the Council invited the Managing Director to respond. The Managing Director confirmed that he was unaware of any delay other than the City Plan modifications whose postponement until April 2022 was a backstop measure which might not be necessary in which case a decision could be taken in March.

In respect of question 5 Councillor Hilton asked if all sixty-six modifications to the City Plan proposed by the Inspector would be accepted. The Cabinet Member for Planning and Housing Strategy reassured Councillor Hilton that she would consult officers and respond directly.

In respect of question 6 Councillor Hilton noted that government bodies appeared content to communicate with the Council by via the `gloucester.gov.uk' email domain name and queried whether Gloucestershire County Council should continue blocking it. The Cabinet Member for Performance and Resources made it clear that in her opinion they should remove the embargo.

RESOLVED that the written questions submitted and corresponding responses are noted.

87. MONEY PLAN 2022-27 AND BUDGET PROPOSALS 2022/23

Cabinet considered the report of the Leader of the Council and the Cabinet Member for Performance and Resources that sought Members to review the Council's Money Plan for recommendation to Council.

The Leader of the Council summarised the proposed plan and placed it in the context of the challenging circumstances regarding COVID-19 and local government finance. The Cabinet Member for Performance and Resources outlined some of the detail, especially in her own portfolio, and reiterated the uncertainty around the impact of the pandemic and recent cyber incident. She advised Members that the final Local Government Finance Settlement had been received after the report had been published but reassured them that the relevant sections would be amended before it is submitted to Council. The Cabinet Member for Performance and Resources drew Members' attention to the public consultation (Appendix 7) and the top five priorities identified by respondents as the most important to them. She expressed thanks of Cabinet and her own personal gratitude to all officers but especially the Director of Policy and Resources and the entire Finance Team for their work and support.

The Cabinet Member for Environment commented on the £500,000 increase in income from recycling achieved over just five years brought about by both residents and improved processing from the contractors, the latter despite the constraints of the pandemic. He thanked all people involved.

RESOLVED that:

(1) the proposals for the 2022/23 budget included in the report are approved and recommended to Council

(2) it is noted that consultation has been undertaken on budget proposals.

88. THE GLOUCESTER CITY MONUMENTS REVIEW

Cabinet considered the report of the Leader of the Council that provided the results of the Monuments Review and its recommendations.

The Leader of the Council reminded Members of the background to the report and the Council resolution that instigated it (9th July 2020). He highlighted each of the recommendations of the review in turn and noted that some of the opportunities would require a budget and that some of the heritage assets identified were not owned by the Council so outside of its control. The Cabinet Member for Culture and Leisure informed Members that officers from the Museum of Gloucester had already begun the process of consultation and careful thought around mounting a display. He further reassured them that officers were ready to follow similar processes for every recommendation as they were all of a sensitive nature. The Leader of the Council thanked the City Archaeologist for such a very detailed and informative report that brought matters forward in a positive way. He commented that it was good to provide ways to contextualise heritage assets.

RESOLVED that approval is given to implement the recommendations outlined in Appendix A of the report.

89. EVENTS AND FESTIVALS REPORT ON 2021 AND PLAN FOR 2022-23

Cabinet considered the report of the Cabinet Member for Culture and Leisure that provided a Review of Festivals and Events activity 2021 and the Proposed Civic and Cultural Events & Festivals Plan 2022.

The Cabinet Member for Culture and Leisure listed some of the many events staged in 2021 despite the COVID-19 pandemic and thanked the Head of Culture and his team for their achievements. He drew Member's attention to the enlarged programme proposed for 2022 and highlighted some of the opportunities such as the renewed Kings Square, Platinum Jubilee and return of the Tall Ships Festival. The Cabinet Member for Culture and Leisure expressed his desire for every community, no matter how small, to become involved and be represented in their city's cultural activities and urged them to do so. The Cabinet Member for Environment stated that to produce a cultural programme so full and diverse as this in terms of content and community engagement despite COVID-19 was a credit to officers.

RESOLVED that:

(1) approval is given to the proposed civic events programme for 2022 set out in the table 1 Appendix B of the report to be managed by the City Council Cultural Services team

(2) approval is given to support key city festivals and events programme 2022 as set out in table 2 Appendix B of the report.

90. TOURISM AND DESTINATION MARKETING REPORT

Cabinet considered the report of the Cabinet Member for Culture and Leisure that presented the Tourism and Destination Marketing Plan 2022 along with associated research.

The Cabinet Member for Culture and Leisure informed Members that he was proud of the Destination Marketing Team for how they showcase Gloucester to the world and its wide range of activities for visitors as reflected in the growth in users of the Visit Gloucester website beyond pre-pandemic levels (3.5). He further advised them how respected the Tourism and Destination Marketing Manager was amongst the profession nationally and high level of excitement engendered about the City within it. The Cabinet Member for Performance and Resources commented that for such a small team created in turbulent times they had generated a big positive impact. She noted that the good relationships they had fostered across the sector boded well for the future.

RESOLVED that the Tourism and Marketing Plan 2022 in Appendix 1 of the report is noted, and the recommendations are accepted.

91. HOMESEEKER PLUS POLICY 2022

Cabinet considered the report of the Cabinet Member for Planning and Housing Strategy that sought the adoption of an updated Homeseeker Plus Policy governing the Council's allocations to social housing for applicants registered on the Council's housing register.

The Cabinet Member for Planning and Housing Strategy advised Members that the proposed policy modifications were minor and reflected legislative changes. She highlighted the increased flexibility to be given to care leavers reducing waiting times and drew Members' attention to the public consultation (Appendix 4). The Cabinet Member for Environment commented that the consultation had been widespread.

RESOLVED that:

(1) the updated Homeseeker Plus Policy (Appendix 1 of the report) is adopted

(2) approval is given to the Homeseeker Plus Management Board to confirm the date for implementation once all partners have gained approval through their individual governance structures.

92. BUSINESS RATES – RETAIL, HOSPITALITY AND LEISURE RELIEF 2022-23

Cabinet considered the report of the Cabinet Member for Performance and Resources that sought approval for a discount scheme on business rates.

The Cabinet Member for Performance and Resources summarised the key features of the report.

RESOLVED that the Business Rates Retail, Hospitality and Leisure Relief scheme 2022-23 (Appendix 1 of the report) is the approved scheme for Gloucester City for 2022-23.

Time of commencement: 6.00 pm
Time of conclusion: 6.27 pm

Chair

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Gloucester City Council

Meeting:	**Cabinet**	**Date:**	**9 March 2022**
Subject:	**Cultural Strategy Progress Report**		
Report Of:	**Cabinet Member for Culture and Leisure**		
Wards Affected:	**All**		
Key Decision:	**No**	**Budget/Policy Framework:**	**No**
Contact Officer:	**Philip Walker, Head of Culture**		
	Email: Philip.walker@gloucester.gov.uk		**Tel: 39-6355**
Appendices:	**1. Gloucester Cultural Strategy Tracker 2021**		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To provide an overview of progress made against the Cultural Strategy for the year January to December 2021.

2.0 Recommendations

2.1 Cabinet is asked to **RESOLVE** that:

(1) the report is accepted and progress against the objectives and actions noted.

3.0 Background and Key Issues

3.1 Need for a Cultural Strategy for Gloucester

The revised Cultural Strategy was adopted in March 2021 for the period 2021 - 2026. The revised strategy continues to be an effective mechanism that provides focus and context for the development of culture in Gloucester. The renewed emphasis on embedding the strategy in other city council priorities has been made evident in the Council Plan.

3.2 Reporting on progress

The Cultural Strategy is a strategy for the whole city, not just the City Council and is delivered in partnership with GCT and others. Since GCT was established the council and GCT have worked closely to ensure that progress could be monitored and actions progressed. Progress is reported both to the city council (bi-annually) and the GCT board (quarterly) to ensure that the city council, GCT and partners jointly hold accountability for the successful delivery of the strategy.

3.3 Gloucester Culture Trust context

Following the departure of Hollie Smith-Charles in April the new CEO of the Gloucester Culture Trust Adam Jay Coleman was appointed in August 2021. As a Charitable Incorporated Organisation (CIO) it is governed by a board of trustees with Neil Hopwood as acting Chair since January 2021. The Board agreed at their November 2021 to recruit three additional Trustees to bring the board to full strength and that the positions of chair and vice-chair would be interviewed for as part of this recruitment process. In January 2022, the recruitment process commenced with all positions expected to be filled by mid-April 2022.

3.4 Key Achievements in progressing the Cultural Strategy July 2021 – Dec 2021

See appendix 1 for the Gloucester Cultural Strategy tracker. Some highlights from this include;

- Appointment of Adam Jay Coleman as the new CEO for Gloucester Culture Trust (GCT), bringing over twenty years of experience in the arts and cultural sector (with organisations including Tate and the National Theatre) to Gloucester.
- Successful application by GCT to Arts Council England's (ACE) Cultural Recovery Fund (Emergency Resource Support) fund for stabilisation funding of £80k to protect the the Trust during a continued period of transition.
- Announcement by ACE that Gloucester is one of 54 'Priority Places' in England, meaning that ACE will devote additional staff resource to support the city to access funding. Anneliese Slader has been appointed as Gloucester's lead officer at ACE.
- Successful and high-profile visit by Darren Henley, CEO of Arts Council England, along with SW Regional Director and team, including a meeting with Cabinet member and visits to key cultural stakeholders.
- Agreement between ACE, GCC and GCT of three cultural priorities for the city over the next three years, which will be used by all parties to guide investment choices and fundraising activities during the city's period as a 'Priority Place'.
- Confirmation that GCT will lead upon the development of an application to ACE's 'Place Partnership Project' fund, which is a new fund for projects over £100k that "aim to make a step change in the cultural and creative opportunity in places".
- The continued development of Kings House in central Gloucester into a cultural hub, with JOLT providing artists' studios and co-working space and a home for The Music Works. Continued scoping of options for the roof at Kings House.
- The Music Works launched with a series of industry days to connect young local musicians with industry professionals.
- Cultural Recovery Funding – the city council, Strike a Light and Gloucester Culture Trust were all recipients of Arts Council England's Covid recovery funding across 3 separate rounds between late 2020-22.
- Visit & presentation from the Historic England – independent Historic Places advisory panel – assessing Gloucester's success in developing areas of the city.
- Transfer of Bishop Hooper house to Gloucester Historic Buildings and the management of the site by Gloucester Civic Trust. This will enable the continued removal, care and audit of the museum collections still housed there.
- Development of Kings Square, including lighting and sculptural features that can be used as a new cultural space for the city, with a programme in development for May 2022 onwards

- Delivery of Creation Fund by GCT to support local artists who are delivering cultural projects that benefit local residents.
- Bright Nights festival – successfully delivering engagement to audiences across the city – and supported by ACE, Gloucester BID and partners.
- Globoscope – produced with Strike a Light, international artists and communities local to Robinswood Hill
- Christmas Lights switch on and lantern procession attracting thousands to city centre
- Continued partnership with the Roundhouse London**,** through Gloucester's Roundhouse Exchange (GRHX) project, which has been funded by the Paul Hamlyn Foundation.
- Significant financial and professional support of artists and organisations, festivals and events – including Strike A Light, GL4, Culture Matson and more
- Strategic commissioning and partnership development to bring popular, high quality creative projects to Gloucester – new fund announced in Jan 2022.
- Gloucester History Festival, Gloucester Goes Retro, Rooftop Festival and Kings Jam successfully supported and delivered by city council teams.
- Contribution to the city's Cultural and Visitor Economy recovery activity
- Submitted bid to develop Gloucester Guildhall to ACE Capital Investment Fund – outcome due April 2022
- Submitted bid to support Museum of Gloucester to ACE MEND fund – outcome due Spring 2022

3.5 Cultural Partnerships

3.6 **City Voices** - during this period the Museum team have collaborated with City Voices, Gloucestershire Archives, Fresh Air Foundation and others to bring an exhibition of the work of the celebrated and respected photographer, Vanley Burke and a number of Gloucester photographers. The resulting exhibition *His Story, Her Story, Their Story, Our Story* was presented in the Museum of Gloucester main gallery for the Autumn – Winter 2021 period.

3.7 **Royal Photographic Society** – the Museum of Gloucester has negotiated a three-year partnership with the RPS to be a recipient of a limited venue national touring exhibition. The International Photographer Exhibition is an annual international competition that attracts the worlds best photographers. A committee of experts selects the winning entries to produce an exhibition of exceptional quality. Bringing world-class art and culture to Gloucester meets the ambitions of the cultural strategy and provides further opportunity for schools, residents and visitors to engage with and be inspired by art and culture in Gloucester.

3.8 Festivals and Events - The Bright Nights programme for the period has directly aligned with the vision for the Cultural Strategy by bringing world class artists into the city, to work directly with the communities. An example of this was the Globoscope installation on Robinswood Hill, by French artists Collectif Coin. Globoscope was an immersive installation made up of over 200 luminous spheres that transformed the site into a multi-sensory, changing terrain and attracted over 3,000 visitors in one weekend, with local schools and community participation from the neighbouring area.

3.9 **Globoscope** was presented by Strike a Light in partnership with Bright Nights, and supported by Gloucestershire Wildlife Trust. By working with experienced creative producers, the city is building its capacity and ambition to present high-quality work with local communities in line with the aims of the cultural strategy. Part 2 of Bright

Nights festival takes place between Feb to end March 2022. Bright Nights brought together multiple partners from across the city's cultural, health, business and visitor economy sectors and was supported by funding from Arts Council, city council and the Gloucester Business Improvement District (BID).

4.0 Social Value Considerations

4.1 Social value is integral to the delivery of the Cultural Strategy and this will continue to be a focus for the strategy in future. Culture and cultural activity in the city can provide far-reaching benefits to citizens' health, well-being, skills and help develop social cohesion and a sense of place. Cultural participation in activities such as events and festivals can bring disparate communities together to celebrate and collaborate.

4.2 A residents' survey, which garnered a statistically valid response, with respondents from every ward – and helps us understand local residents' views has shown that 6% of residents feel that there is more to do than in previous years and 7% feel that the city's festivals, arts and culture make Gloucester a better place to live, resulting in an increased (+9%) level of pride in the city. GCT will continue to work in partnership with GCC to repeat the residents survey in 2022.

4.3 The updated strategy aims to increase participation in the cultural life of the city – from all areas and communities. A continued focus upon young people and the development of young people as cultural leaders is a central aim of the strategy.

4.4 There is an additional ambition to ensure that there is greater representation from diverse communities (BAME, young people, older people and disabled people) both producing and consuming culture in the city. The new objective to embed culture within the city's plans will include connecting where relevant to the work being undertaken by the Race Equality Commission and making links with others within the Voluntary Community Sector.

5.0 Environmental Implications

5.1 Should the submitted funding bids to Arts Council England be successful for investment into the Museum of Gloucester and Gloucester Guildhall, improvements to the carbon footprint will be achieved on both sites. LED lighting will replace the high-power consumption of the existing theatre and stage lighting at the Guildhall.

5.2 Improvements to ventilation and air handling at Museum of Gloucester and Gloucester Guildhall will result in improvements to air quality lowering risk of transmission of covid-19. Works funded by the Covid Outbreak Management Fund.

6.0 Alternative Options Considered

6.1 None

7.0 Reasons for Recommendations

7.1 Update report.

8.0 Future Work and Conclusions

8.1 GCT and the council will regularly review and report on progress against the action plan.

9.0 Financial Implications

9.1 By having a cultural strategy in place has supported the case for investment and funding from strategic bodies including Arts Council England, Historic England, Paul Hamlyn Foundation and other trusts, foundations and businesses investing in Gloucester.

9.2 The city council's cultural budgets are used to deliver services that support the cultural strategy and any additional budget required will be sought from external funding bodies, such as those mentioned above – and by working in partnerships and collaboratively across the city.

10.0 Legal Implications

10.1 The delivery of the objectives of the Cultural Strategy 2021-2026 are the responsibility of the Council and its partners. Any collaboration or new delivery models with outside bodies will need to ensure compliance with relevant legislative requirements and the Council's Contract Rules.

(One Legal have been consulted in the preparation of this report.)

11.0 Risk & Opportunity Management Implications

11.1 None

12.0 People Impact Assessment (PIA) and Safeguarding:

12.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

13.0 Community Safety Implications

13.1 None

14.0 Staffing & Trade Union Implications

14.1 None

Background Documents: Update to Gloucester's Cultural Vision and Strategy 2021-26
gloucester-cultural-vision-and-strategy-gct-gcc-min.pdf

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Gloucester Culture Trust
Report to Gloucester Culture Trust & Gloucester City Council on progress in delivering Gloucester's Cultural Strategy 2021-2026

Objective	Action	Progress to date	Owner	Priority	Status
1. Embed culture in the city's future plans	A.1 Integrate this Cultural Strategy into the city's future plans for regeneration, environmental sustainability, place-making and community well-being.	Culture and cultural engagement is referenced as an important theme in the Council Plan.	GCC	Low	On track
	A.2. Work with the city's artists, arts and heritage organisations to integrate environmental sustainablity into cultural planning and delivery, and use creative activity to support and promote a green agenda.	Identified energy savings for Guildhall through lamp replacement - funding bid submitted for ACE capital funds to replace energy hungry parcan theatre lighting with Low Energy Consumption ones. Work with artists on raising profile of sustainable practices. Strike a Light working with group of Climate Change youth arts producers	GCT	Medium	On track
2. Build the cultural and creative industries by developing artists and arts organisations	A.3 Continue developing Kings House into an exemplar arts, and creative industries hub and incubator to build and support a thriving diverse creative community at the heart of Gloucester	10 of its 13 studios and 9 of 11 Pod Studios let. Launch of Jolt. Completion of The Music Works hub & launch programme. Increased usage of shared workspace and hot-desking by creatives in Jolt. Industry days hosted by The Music Works. Lift installed and fully operational.	GCT & TMW	Medium	On track
	A.4 Develop and implement a business transformation and creative development plan for Gloucester City Council-run cultural venues to release their potential	Transferral of Bishop Hooper house to Gloucester Historic Buildings completed and the management of the site by Gloucester Civic Trust. Development and completion of 5yr Museum of Gloucester Development Plan. Submitted a bid to Cultural Development Fund for the development of Gloucester Guildhall. Seeking to extend the contract at Blackfriars with English Heritage. Submitted bid to ACE MEND fund for Museum of Gloucester. Submitted bid for Gloucester Guildhall to ACE. Appointed Flying Geese to produce Guildhall Business Plan.Conducted user survey for audience development.	GCC	High	On track
	A5. Invest in talent development programmes and networks across Gloucester to develop cultural leaders, existing and emerging, and nurture future generations of artists and creatives.	Appointment of 2 p/t Creative Producers as part of Roundhouse Exchange. Museum hosting 2 start-up apprenticeships. Other Start-Up apprenticeships taking up with cultural organisatioins across the city.	GCT	High	On track
	A.6 Invest in and champion the city's independent cultural sector, to boost the professional skills, qualifications and employability of people who lead, manage, work in or aspire to work in the creative and cultural sector	Jolt - providing professional advice to artists and creative professionals. Music industry days held at The Music Works in Kings House - very well attended and received.	GCT	Medium	Continue

3. **Broaden the cultural offer to support social and economic development**	A.7 Ensure a unified approach to cultural planning by aligning Gloucester Culture Trust and independent cultural organisations with the local authorities, Covid-19 recovery groups and other economic and social policy-makers.	Covid recovery group for Culture and the Visitor Economy meetings held to look at opportunities to maximise programme & sector support. First Fridays as an outcome along with campaigns and investment into festivals and events. CV-19 C&VE recovery group wound up in Autumn 2021, but resulted in networks and collaborations that previously didn't exist in the city. Strategic Events Planning group re-stablished in Q3. ACE funding of venues through Cultural Recovery Funds rounds 1,2,3.	GCC and GCT	Very High	Completed
	A.8 Develop a cultural and creative industries infrastructure masterplan and investment plan for the city, to ensure the city's built infrastructure becomes industry-leading, supports this Cultural Vision & Strategy and is as ambitious as the rest of the city's bricks and mortar regeneration. (This builds upon the recommendations of the independent 2019 Report into the feasibility of a major new venue for Gloucester.)	Developing a list of capital investment requirements of cultural infrastructure in relation to the Andew Ellis Venue Demands Analysis report. Funding bids submitted to invest in city-council run venues. Discussions underway with cultural venues and orgs including Blackfriars Priory, English Heritage, Olympus Theatre, Kings Theatre, Kings House, Guildhall, UoG new city campus, The Folk of Gloucester, Museum and Library & City Council-run venues. Transferral of Bishop Hooper house to Gloucester Historic Buildings and management of the building to the Civic Trust.	GCC and GCT	High	Begun
	A.9 Continue to build partnerships with national cultural organisations, artists and producers to inspire the sector's ambitions and drive up audience demand for cultural experiences.	Appointed nationally acclaimed Creative Producers Katherine Jewkes and Vashti Waite to produce Bright Nights Festival. Gloucester Roundhouse Exchange (GRHX) programme continues. Support of Strike A Light's Global Streets partnership - to bring Globoscope to Robinswood Hill. Museum of Gloucester developed 3yr partnership with Royal Photographic Society. Blackfriars Priory working with English Heritage on development plans for the site.	GCT	High	Continue
	A.10 Empower local people through investment in grassroots arts activity. Deliver against mutually agreed health and wellbeing outcomes for residents, especially those who are particularly culturally disengaged, by working closely with them, as well as the NHS, Active Gloucestershire, Community Builders and others.	Successful funding bid ACE for Bright Nights to include The Big Swim event at GL1 with support from Active Glos to fund priority audiences for providing discounted access to participation in The Big Swim. Strike A Light working in Matson and other communities to deliver the Globoscope installation as part of Bright Nights Festival on Robinswood Hill.	GCT	Medium	Begun
	A.11 Invest in Gloucester-based arts and heritage organisations to diversify and develop their participation and talent development programmes.	Call-out to city festivals and events producers for funding requirements for 2022-23. Creation Fund used to support artists development and practice issued by GCT.	GCT	Medium	Continue

4. Develop audiences who enjoy the new cultural opportunities being created	A.12 Work with local businesses, economic development bodies, arts and heritage organisations to commission and effectively promote a regular and diverse programme of high-quality outdoor arts events, including street arts and parades, using the city centre's fantastic array of outdoor spaces.	Strike a Light on Global Streets partnership. Working closely with Gloucester BID to support city-festivals to drive footfall including Bright Nights, Snow Globes trail and marketing campaigns. Gloucester Goes Retro. Gloucester History Festival, City Voices, Pride in Gloucestershire (in-kind). Gloucester Day.Bright Nights festival delivered across Llanthony Priory, Blackfriars Priory, city-centre locations and Robinswood Hil, Lantern Procession. Development of programme for Kings Square launch event.	GCC and GCT	Medium	Continue
	A.13 Work with the city's many heritage destinations and historic 'spaces' to develop a high profile, contemporary creative programme unique to Gloucester, regularly bringing together arts, heritage and local communities.	GCT support development of Bright Nights and HSHAZ Heritage and Cultural Partners. Breathing Room in Blackfriars Priory. Llanthony Secunda Priory - Lumino and ongoing engagement with the Heritage Forum.	GCT	Medium	Continue
	A.14 Animate Kings Square as a revamped, lively, year-round cultural and public space, integrated into and a proud exhibitor of the cultural life of the city.	Kings Square launch programme plans in progress and first year of activity in development. May 2022 launch programme commences.	GCC and GCT	High	Begun

5. Put Gloucester on the cultural map by developing high profile events	A.15 Promote Gloucester's cultural offer more effectively: First, by researching, listening to and understanding current audiences to map demand, opportunities and gaps, and second, by raising investment for a long-term audience development action plan that addresses these findings.	Audience survey for Gloucester Guildhall completed as part of the business planning to understand cultural engagement. Ongoing market and audience data being collected and shared with parters through Visit Gloucester Marketing Steering Board and marketing plan agreed for 2022-23 to include audience development for tourism.	GCT / GCC	Medium	Begun
	A.16 Work with the city's and county's destination marketing organisations to develop a cultural tourism marketing strategy and campaign, collaborating with neighbouring towns and regions as appropriate, to attract visitors nationally and internationally.	City Destination Marketing team work closely with Visit Gloucestershire and other regional DMOs in the area plus Visit England and Visit Britain. Supporting promotion of all major festivals and events via digital and city-dressing. Promotion all city-partners cultural activity via Visit Gloucester website. City branding work being rolled out through workshops with stakeholders.	GCC	Medium	Continue
6. Put Gloucester on the cultural map by developing high profile events	A.17 Building on existing local strengths, invest in and develop a portfolio and regular programme of regionally or nationally significant Signature Events, including Three Choirs Festival, Tall Ships, Gloucester History Festival, Kings Jam, Carnival and working with other programming partners such as Strike A Light. (This builds upon the recommendations of the 2017 review of Gloucester's Festivals & Events)	Kings Jam in Gloucester Park trialling new model and location for this festival. The Music Works developing new music festival for Kings Square. 3 Choirs Festival plans developing for 2023 and plans in development for Tall Ships Festival in 2022. Gloucester History Festival's City Voices programme becoming more established.	GCC	Medium	Begun
	A.18 Coordinate the city's calendar of festivals and events to facilitate better city-wide and long-term planning, as well as coordinated promotion of ambitious, high quality cultural festivals and events	Google calendar produced by GCC events team and being shared and populated for city-wide events co-ordination.	GCC	Low	Completed
	A.19 Monitor the funding model for festivals and events supported by the Council, to ensure it meets the needs of this Strategy, supports the growth of the local independent cultural sector and maximises the artistic, social and economic impact of those events.	New model for funding festivals and events to ensure they meet the aims of the Cultural Strategy developed. Call-out to city festivals and events producers for funding requirements for 2022-23. Assessment of applications for funds for Festivals and Events in 2022-23. Recommendations to be made in report to Cabinet in Feb 2022.	GCC	Medium	New
	A.20 Building on the successes of the first five years of the Cultural Strategy, evaluate the potential impact and return on investment of a bid for UK City of Culture, if and when the conditions are right for the city, and the structure for delivering this goal.	Decision ultimately not to submit bid for City of Culture 2025 taken.	GCC and GCT	Low	Completed

7. Make things happen to continue the momentum for change	A.21 Strengthen the innovative Cultural Partnership that has been set up between Gloucester City Council and Gloucester Culture Trust to ensure this strategy is delivered, building on the achievements of the first five years. To do this, support the further strategic devolvement of culture to Gloucester Culture Trust, allowing the City Council to focus on its vital role in creating the conditions for culture to thrive.	Appointment of Adam Jay Coleman as the new CEO for Gloucester Culture Trust (GCT), bringing over twenty years of experience in the arts and cultural sector (with organisations including Tate and the National Theatre) to Gloucester. Clarity over the GCC attendance at Board meetings and in what capacity. Clear regular comms between CEO, Chair and HoC.	GCC and GCT	High	Continue
	A.22 Connect this Cultural Partnership to networks and organisations across the city and beyond, to ensure a broad range of residents, artists and organisations can shape the city's cultural future. This will include developing the range of Cultural Forums and co-creation networks.	Culture and Visitor Economy Heritage Forum Covid Recovery Group. Re-establishment of the Strategic Events Group. City Events Group. Strike a Light commissioning artists to co-curate in the HSHAZ cultural quarter with input from GCT and GCC.	GCC and GCT	Medium	Continue
	A.23 Work with a wide range of strategic and funding partners who share our Vision (such as Arts Council England, University of Gloucestershire, NHS, GFirst LEP and major local businesses), to pool resources, generate greater investment in culture and ensure this strategy is resilient.	Arts Council visit from CEO and SW Regional Director Phil Gibby and team. Identified dedicated Gloucester Relationship Officer. Regular meetings with ACE, GCT, GCC and agreed key prioirities for Gloucester as a Priority Place for ACE investment.	GCT / GCC	Medium	Begun
8. Empower young people to create, experience and participate in culture	A.24 Support young people to develop skills and leadership in arts and cultural production - identifying and providing training opportunities	Start-up scheme offered for new opportunties to upskill young people in Creative Industries. Apprenticeship scheme being taken up by young people.	GCT	Medium	Begun
	A.25 Amplify the voices of young people, through encouraging youth-led publications, support on Youth boards and more widely	Youth board at The Music Works. GCT board member recruitment underway. Strike a Light working with young producers linked with Climate Change.	GCT	Medium	New
	A.26 Ensure there are opportunities for young people to participate in and create culture, through supporting, marketing and investing in youth led-programming	First Fridays and Gloucester Roundhouse exchange seeking opportunities for young people to programme across city venues. Kings Jam and Rooftop festivals targeting young audiences and supporting young performers and talent development.	GCT / GCC	Medium	Begun

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Meeting:	**Cabinet**	**Date:**	**9 March 2022**
Subject:	**Public Access Defibrillator Provisions**		
Report Of:	**Cabinet Member for Communities and Neighbourhoods**		
Wards Affected:	**All**		
Key Decision:	**No**	**Budget/Policy Framework:**	**No**
Contact Officer:	**William Larcombe, Community Wellbeing Officer**		
	Email: William.larcombe@gloucester.gov.uk	**Tel: 396057**	
Appendices:	**1 Current and Proposed Locations of Public Access Defibrillators**		

FOR GENERAL RELEASE

1.0 Purpose of Report

To outline to Cabinet the considerations made in identifying locations for new Public Access Defibrillators (PADs).

2.0 Recommendations

2.1 Cabinet is asked to **RESOLVE** that:

(1) the approach to identifying new Public Access Defibrillator (PAD) sites be noted;

(2) it be noted that new PADs will be located in the locations outlined in the report (3.9).

3.0 Background and Key Issues

3.1 Less than 1 in 10 people in the UK survive an out of hospital cardiac arrest. This has been partly attributed to two factors that can be changed:

- there aren't enough people prepared to perform CPR when someone has a cardiac arrest
- there aren't enough defibrillators.

3.2 In 2019 Gloucester City Council made available a fund of £6500 to provide additional public access defibrillators (PAD) in areas of the city and communities where a PAD is not available, or access is limited.

3.3 A mapping exercise has been carried out to plot the current locations of PADs. This map can be found in appendix 1.

3.4 Officers have liaised with Ward Councillors, community contacts and reviewed guidance from the British Heart Foundation (https://www.bhf.org.uk/how-you-can-help/how-to-save-a-life/cpr-training-in-communities/defibrillators-in-communities) and Community Heartbeat Trust (https://www.communityheartbeat.org.uk/starting-project) to help identify suitable locations for new PADs.

3.5 The following factors have been considered:

- Costs - the approximate cost of a new Public Access Defibrillator is £890 to £2850 A replacement battery ranges from £19.30 up to £290. Replacement defibrillator chest pads cost £40. These figures vary depending on the type of defibrillator etc..
- Cabinets cost £160 to £200 for in-door locations and £450 to £520+ for external cabinets that require an electricity supply.
- Access
- Security
- Infrastructure, including power requirements
- Responsible persons
- Training- annual training for 12 people will cost around £500.
- Monitoring and Maintenance- Servicing and maintenance will cost approximately £500 per defibrillator.

3.6 General factors to consider when choosing a location for a PAD are to look at areas that have a high foot fall and where the equipment is relatively easy to access. The PADs currently located in the City's shopping centres (e.g., Eastgate) provide a good example of appropriate and effective siting.

3.7 Practically, any site that has a location to provide power for the defibrillator cabinet, is well lit and easily accessible could host a PAD. The defibrillator itself has a battery so does not require power.

3.8 One further consideration is that a PAD installed externally may be more vulnerable to vandalism or misuse, although it is normal practice for a code to be required before access to the equipment is possible. Codes to unlock cabinets are obtained by phoning 999, but defibrillators will only be locatable by the emergency services if the site has been registered, for example, via the following: https://www.thecircuit.uk/

3.9 A list of potential sites have been considered and the following are the recommended sites:

- Matson shops, Matson Avenue
- Robinswood Hill Country Park, Reservoir Road
- The Venture, Northfield Road

3.10 The following locations have been considered and rejected:

- The Redwell Centre - there is a Defibrillator located at Matson Rugby Club which is adjacent to the Redwell Centre
- Walls Roundabout – footfall in this area is limited and there is not an obvious site for a PAD in the area.
- Phoenix Centre- the Matson shops are more appropriate to locate a PAD due to footfall and ability to site an external PAD.
- City Church and St Georges Church – there are already defibrillators located nearby.

4.0 Social Value Considerations

4.1 This initiative supports health and wellbeing and has the potential to reduce the impact or costs to the NHS which in turn ensures health services can focus on the health issues which are less avoidable or preventable.

4.2 This initiative encourages community support and gives residents the ability to take urgent action to prevent serious illness which promotes community resilience and engagement.

5.0 Environmental Implications

5.1 The PAD itself required no power but, depending on the model used, the battery may need replacing after each use. The batteries are also lithium-ion and have to be disposed of appropriately.

5.2 Defibrillators are kept in powered cabinets (to maintain a stable operating temperature) and cost approximately £2 to £3 to run. Defibrillators are not significant source of greenhouse emissions.

6.0 Alternative Options Considered

6.1 The City Council could decide not to support the installation of new PADs. However, Councillors have been supportive of this initiative and are keen to see new PADs in the City.

7.0 Reasons for Recommendations

7.1 As detailed in 3.9 and 3.10, several sites have been considered and some have been rejected or deprioritised, with reasons outlined in 3.10.

8.0 Future Work and Conclusions

8.1 Should the Council want to increase the number of PADs in the City year on year, a budget should be allocated to enable this work.

8.2 The ongoing maintenance and servicing costs of £2000 are allocated from existing budgets.

9.0 Financial Implications

9.1 A £6,500 fund was created in 2018 for this purpose and will be utilised to meet the costs of the proposals.
Ongoing maintenance costs will need to be covered from existing budgets.

(Financial Services have been consulted in the preparation of this report)

10.0 Legal Implications

10.1 The council has a general power to implement the initiative under the Localism Act Section 1.

10.2 Given the very local nature of the grant there are no subsidy control issues.

10.3 A grant letter should be issued to recipients which should include matters such as how long the defibrillator should be retained and maintained by the recipient.

11.0 Risk & Opportunity Management Implications

None

12.0 People Impact Assessment (PIA) and Safeguarding:

12.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact; therefore, a full PIA was not required.

13.0 Community Safety Implications

13.1 This report supports Community Safety and the health of our residents. It also considers the appropriateness of location and likelihood of vandalism when placing PADs.

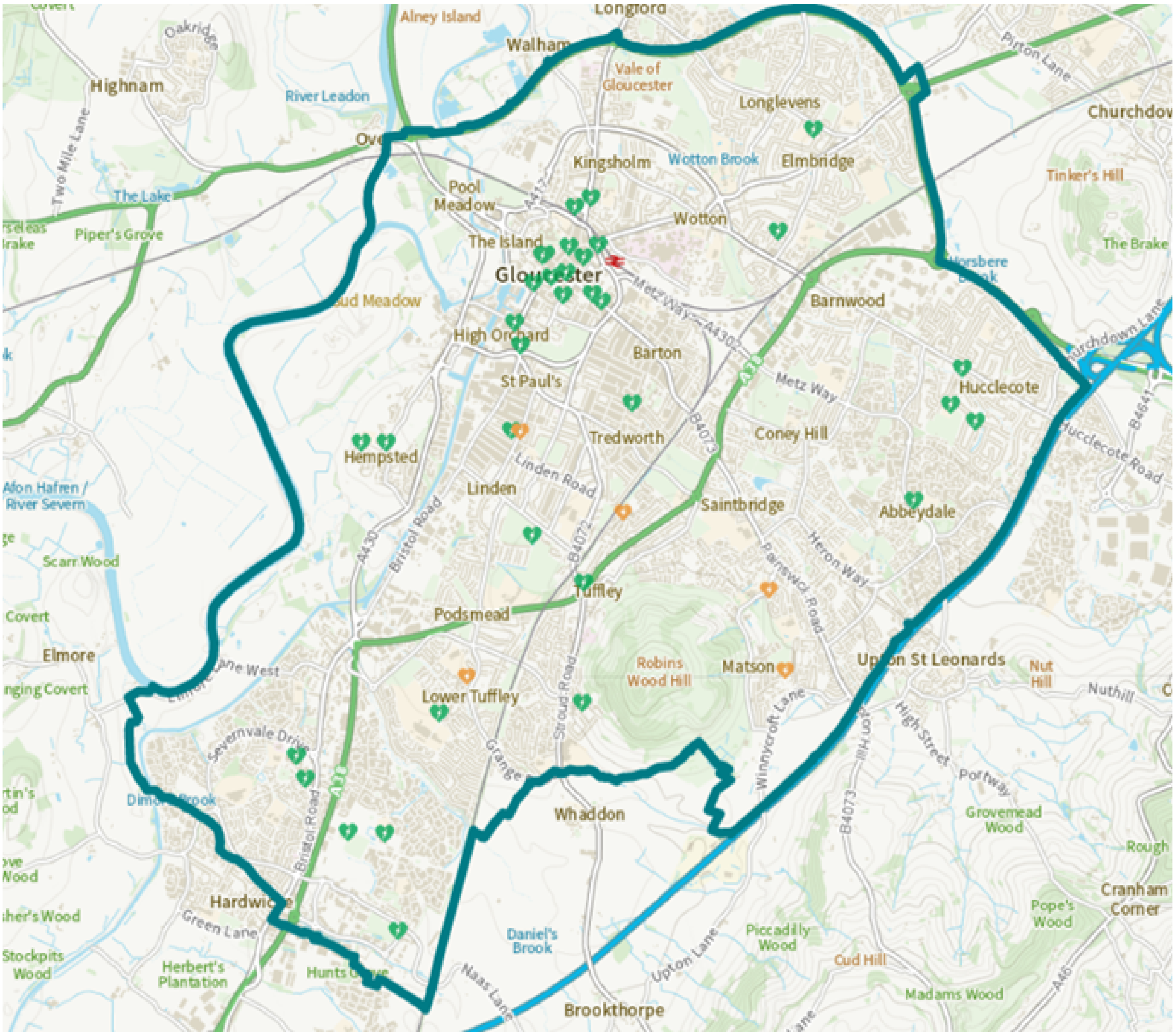
14.0 Staffing & Trade Union Implications

N/A

Background Documents: None

Appendix 1

Current and Proposed Locations of Public Access Defibrillators



Key

Existing locations of defibrillators

Possible locations for new defibrillators

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Meeting:	**Cabinet** **Date: 9 March 2022**
Subject:	**To Approve the Use of Community Protection Notices**
Report Of:	**Cabinet Member for Communities and Neighbourhoods**
Wards Affected:	**All**
Key Decision:	**No** **Budget/Policy Framework: No**
Contact Officer:	**Yvonne Welsh – Community Wellbeing Team Leader**
	Email: yvonne.welsh@gloucester.gov.uk Tel: 396333
Appendices:	**1. Community Protection Notice Policy**

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 This report outlines how the council intends to implement Community Protection Notices provided in Part 4 of the Anti-Social Behaviour, Crime and Policing Act 2014, including setting the threshold for cases to be considered for these enforcement powers.

2.0 Recommendations

2.1 Cabinet is asked to **RESOLVE** that:

(1) he new enforcement powers contained within the Anti-Social Behaviour Crime and Policing Act 2014, be adopted;

(2) the threshold for the council to take action, currently set at two or more complainants over a six-month period, be agreed.

3.0 Background and Key Issues

3.1 Adoption of The Anti-Social Behaviour, Crime and Policing Act 2014 was agreed my cabinet on 15th October 2014. (copy attached – see supporting documents). This ‘Act’ has introduced a range of new measures to tackle lower-level anti-social behaviour.

3.2 This legislation has introduced Community Protection Warning and Community Protection notices (CPN) and replaces the old ‘ASBO’ notices.

3.3 The legislation gives powers to issue fixed penalty notices, prosecute offenders who breach the Community Protection Notice (CPN) and remedial action where possible for offences, plus a range of other sanctions (noted in the practice guidance supporting documents)

3.4 The purpose of this legislation is intended to deal with on-going problems of nuisance from an individual or from a business, which have a negative effect on the community's quality of life.

3.5 Community Protection Notices can be issues by council officers, police officers and social landlords where powers have been delegated.

3.6 Circumstances where a Community Protection Notice can be used are where there are reasonable grounds to believe the conduct is:

- Having a detrimental effect on the quality of those in the locality, and
- Is unreasonable, and
- The behaviour is of a persistent or continuing nature.

3.7 Community Protection Notices should not be used for annoyances, single incidents or where the impact is insignificant. The intention is using these where other powers are not appropriate or where there is more than one complainant. Impact on the community is required to be 'significant'.

3.8 This 'Act' is enabling legislation which provides discretionary powers but not statutory duties.

3.9 Solace will continue to deal with low to medium level ASB and officers will continue to work alongside Solace officers.

3.10 Those being affected by ASB can have a voice. They will be required to submit witness statements for any future court action.

4.0 Social Value Considerations

4.1 The 'Act' is designed to give 'victims' a voice

5.0 Environmental Implications

5.1 There may be some positive impacts where this legislation is used to stop environmental harm.

6.0 Alternative Options Considered

6.1 This report does not change statutory powers under section 79 of The Environmental Protection Act 1990. Where cases involve statutory nuisance, officers will still utilise the most appropriate course of action and carry out statutory duties. (i.e. for noise, odour, light and dust nuisance).

7.0 Reasons for Recommendations

7.1 Approval of this report will reinforce officer's enforcement tools to ensure community safety is maintained and enhanced.

7.2 This legislation will allow officers to deal with persistent cases of anti-social behaviour where statutory nuisance powers are not relevant.

7.3 Setting the threshold at two or more complainants over a six-month period ensures this legislation is only used where it is intended. This threshold is in line with other regulatory bodies and other local authorities and practice guidance notes. It reduces the incidence of neighbour on neighbour disputes which is not what this legislation is intended for. Setting a higher threshold is possible (for example three or more complainants) but this may discount some community issues. The threshold could be reviewed later once officers have become familiar with the process.

8.0 Future Work and Conclusions

8.1 Working with Registered Social Landlords (including Gloucester City Homes) within the City of Gloucester to ensure they have delegated powers to carry out this enforcement on behalf of the council.

8.2 This legislation allows council teams to interact and strengthen relationships with other agencies such as Gloucestershire Constabulary, Restorative Gloucestershire, Solace and community safety partnerships. Future work could include setting a memorandum of understanding between agencies for sharing information to facilitate case management and resolution.

9.0 Financial Implications

9.1 Officer time is the main impact. Officers are required to be suitably trained and initial costs of training courses will be covered by the community wellbeing training budget.

9.2 Managers will need to consider officer resources before considering a case for a community protection notice. There is considerable officer time required for the process and there will need to be a period of training and familiarisation for teams. If the use of Community Protection Notices becomes in demand additional resources would be required in the team to deal with the higher demand on the service.

9.3 The use of fixed penalty notices may bring in a very small income.

10.0 Legal Implications

10.1 A policy has been drafted with consultation with One Legal.

10.2 As this is enabling legislation there is no implications for ‘the council’ for not adopting or the decision where to set the threshold.

10.3 Officers have been designated to use the powers set by this Act.

(One Legal have been consulted in the preparation of this report.)

11.0 Risk & Opportunity Management Implications

11.1 There is very little risk in the adoption or threshold setting. There may be service challenges in ensuring the threshold is met and to manage expectations of the use of this legislation.

11.2 The use of Community Protection Notices and the threshold will be reviewed on its progress to ensure this legislation is used in the right circumstances.

11.3 A Community Protection Notice review panel is required as part of this process and will review cases which may be considered for a Community Protection Notice and review progress on existing cases. This review panel may consist of team leaders/managers, Solace, Registered Social Landlords, Gloucestershire Constabulary and/or community safety representatives depending on the case.

12.0 People Impact Assessment (PIA) and Safeguarding:

12.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

13.0 Community Safety Implications

13.1 This legislation is integral to the work of the community safety partnership.

14.0 Staffing & Trade Union Implications

14.1 None

Background Documents:

The Anti-Social Behaviour, Crime and Policing Act 2014

Anti-social
Behaviour, Crime anc

Professional Practice Note (Chartered Institute of Environmental Health – CIEH)

guidance-on-the-us
e-of-community-pro

Home office ASB statutory guidance

ASB_Statutory_Guid
ance 2021.pdf

Cabinet report 2014

CPN cabinet
report.pdf

APPLICATION AND ENFORCEMENT OF

Community Protection Notices (CPNs)

(DRAFT)

POLICY

Contents

Community Protection Notice Policy for Gloucester

1. Purpose

Community Protection Notices (CPNs) are intended to deal with on-going problems of nuisance, which have a negative effect on the community's quality of life, by targeting those responsible. This policy has been made in line with the overarching 'Community Engagement and Regulatory Policy 2020.

2. Relevant Bodies and Responsible Authorities

The following organisations can issue CPNs:

- Gloucester City Council
- Gloucestershire Police
- Registered Social housing providers (RSLs) in Gloucester (only where the council formally designate powers to them).

This policy should be read alongside:

- The Anti-Social Behaviour, Crime and Policing Act 2014 (available on www.legislation.gov.uk), and
- The Home Office's "*Anti-Social Behaviour, Crime and Policing Act 2014: Reform of anti-social behaviour powers, Statutory guidance for frontline professionals*, *January 2021* (available on www.gov.uk).
- Gloucester City Council Community Engagement and Regulatory Policy v1 2020. (Click here)

3. CPN Threshold/Test

A CPN can only be issued where the Council is satisfied on reasonable grounds that the conduct of an individual (aged 16 or over), a business or an organisation is:

- having a detrimental effect on the quality of life of those in the locality
- persistent or continuing in nature, and
- unreasonable.

For clarification, references to "conduct" include a failure to act. The Council will consider where the above threshold is met, on a ***case by case*** basis.
Gloucester City Council may consider a wide range of enforcement powers available to them and different legislation may be considered more appropriate.

- For the CPN test to be met there needs to be **2 or more complainants** for an address/issue within a 6-month period. Written information should be submitted by complainants.
- There needs to be a wider implication for the community
- The complainant is required to submit substantial information as to how this is affecting their household. It MUST be
  - DETRIMENTAL on quality of life for community actual evidence – cannot just be annoying
  - PERSISTANT – one off or sporadic events are not considered
  - UNREASONABLE – will be on a case by case basis.

4. **Community Protection Warning and Notice (CPW and CPN)**

4.1. The Written Warning (CPW)

Before a CPN can be issued, a written warning must be issued to the person committing the ASB. It must state that if the person does not stop their ASB, they could be issued with a CPN.

The written warning will also:

- Outline the behaviour that is considered anti-social
- State the time by which the behaviour is expected to have changed *
- Set out the potential consequences of being issued with CPN, sanctions or breach.

* It is at the professional judgement of the issuing officer to decide how long should be given for the matter to be dealt with.

Gloucester City Council will focus on the victims and their expectations, at this point the issuing officer should update those affected of the steps that have been taken, potential timescales and possible implications to the perpetrator and any actions required by the complainants.

4.2 Breach of the CPW

Failure to comply with a Community Protection Warning may allow the enforcing authority to issue a full Community Protection Notice (CPN). Regard will be taken of the complainants and their willingness to present evidence and witness statements.

4.3 Penalty on breach of CPN

Failure to comply with a CPN is a criminal offence. The evidence of this breach must be able to reach the ‘criminal standard’. Your case officer may issue witness statement forms or visit to obtain these. Without the correct evidence for court a case may not be able to progress. The evidence is on how the behaviour is affecting the complainant/community, therefore must be presented from the individual/community. Enforcement officers are not able to gather this evidence as they are not the ones affected. Once a breach has been made there are a few options available; however, consideration should be given to the victims’ wishes.

4.4. Fixed Penalty Notices (FPN’s)

Failure to comply with a CPN is a criminal offence. Fixed penalty notices (FPNs) offer perpetrators an opportunity of escaping criminal liability if they pay the Council a fixed monetary penalty. A Fixed Penalty Notice may be appropriate, but it does not alleviate the impact on the community.

4.5. Remedial action by the local authority

Where a CPN has not been complied with, the Council may have work carried out to remedy the failure, but only on land that is open to the air. Here, the defaulter’s consent is not required.

Consent is required where the premises are *not* open to the air (i.e. indoors). In such circumstances the Council can issue a notice on the defaulter specifying the nature and costs of the intended works and inviting the defaulter to consent to them being carried out. Without such consent the Council cannot proceed.

On completion of the work, a notice of the details of the actual work completed and final amount payable must be issued to the perpetrator. The costs must be 'reasonable' i.e. (i) not more than is necessary to restore the land to the standard specified in the notice and (ii) not more than was actually incurred by the Council. The perpetrator is then liable to the Council for the costs, subject to their right to appeal the notice within 21 days of issue to the Magistrates' Court.

4.6. Remedial Orders by the court on conviction

On conviction for an offence of failing to comply with a CPN, the prosecuting authority may ask the court to impose a remedial order and/or forfeiture order, because:

- The matter may be so serious a court order is warranted
- Works to be carried out need consent and this is not forthcoming
- Issuing authority may believe that forfeiture or seizure of items is required, as a result of the behaviour e.g. sound making equipment.

A Remedial Order may require the defendant:

- To carry out specified work, or
- Allow work to be carried out by, or on behalf of, the local authority.

Even where the court orders remedial works to indoor premises be carried out, the defaulter's consent is still required before the works can proceed. The defaulter does not have to give such consent but failure to do so may constitute contempt of court.

4.7. Forfeiture Orders by the court on conviction

Following conviction for an offence under section 48, the court may also order forfeiture of any item that was used in the commissioning of the offence e.g. spray paint, sound making equipment, poorly socialised dog. Items can be destroyed / disposed off (dogs re-homed). The item must be handed over as soon as reasonable, to either a police officer or council employee.

4.8. Seizure

The court may issue a warrant authorising seizure of items used to commission the offence, due to the failure to comply with the CPN. A police officer or council enforcement officer may use reasonable force to do so. A warrant for seizure can be applied for independently from any prosecution for the offence and must detail on the warrant that the police have the power of entry.

Failure to comply with these orders is a contempt of court, and possibly a custodial sentence. If an individual is convicted under section 48, they may receive a level 4 fine (up to £2,500). Businesses or organisations convicted of this offence may be fined up to £20,000.

5. Appeals Process

Any person issued with a CPN can appeal; the process is detailed on the CPN. The appeal will be heard in the Magistrates Court and can be made on the following grounds:

- The conduct specified in the CPN:
    - did not take place
    - has not had a detrimental effect on the quality of life of those in the locality
    - was not persistent or continuing
    - was not unreasonable
    - was conduct that the person cannot reasonably be expected to control or affect
- The CPN requirements or timescales are unreasonable
- There is a material defect or error with the CPN, or
- The CPN was issued to the wrong person.

Any appeal must be made within 21 days of the issue of the CPN. Any requirements to do a specific activity to achieve a specific result must be put on hold until the outcome of the appeal. Requirements to *stop* doing specified things will continue to have effect despite the appeal.

6. Publicity and Communication

The CPN process will be proactively promoted, both internally and externally.

7. Information Sharing

Information sharing for this procedure is governed by the Safer Gloucester Partnership Information Sharing Agreement, and wider legislation such as the Data Protection Act 1998 and the Crime and Disorder Act 1998.

8. Monitoring and Review

On an annual basis, the CPN process will be reviewed by the review team. Any identified learning points must be shared with all parties involved in the process, so improvements can be made.
All information on the case will be stored on the councils systems.

Gloucester City Council

Meeting:	**Overview and Scrutiny Committee** **Cabinet**	**Date:**	**28 February 2022** **9 March 2022**
Subject:	**Performance Monitoring Quarter 3 – 2021/22**		
Report Of:	**Cabinet Member for Performance and Resources**		
Wards Affected:	**All**		
Key Decision:	**No**	**Budget/Policy Framework:**	**No**
Contact Officer:	**Tanya Davies, Policy and Governance Manager**		
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Appendices:	**1. Performance Report Quarter 3 – 2021/22**		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 The purpose of this report is to inform Members of the Council's performance against key measures in Quarter 3 of 2021/22.

2.0 Recommendations

2.1 Cabinet is asked to **RESOLVE** that the Quarter 3 Performance Report 2021/22 at Appendix 1 be noted.

3.0 Background and Key Issues

3.1 This report sets out the Council's performance against a set of key performance indicators (KPIs) in the third quarter of 2020/21. The data charts show an overview of the whole year with reflection within the narratives.

3.2 Appendix 1 sets out the performance data, including comparative information where available. Where targets exist, these have been included along with a narrative to explain the data. A red (alert) threshold is included in some charts. Where performance is monitored as part of a contract, targets and red thresholds are set and revised as part of that process, where this is not the case and there is also no national target available, these have been determined during the service planning process in consultation with the relevant Cabinet Member.

3.3 As a result of the cyber incident experienced by the council in December 2021, Q3 data for 11 of the 26 KPIs, is not currently available because the systems or files required used to monitor and report on performance for those KPIs are not accessible, and therefore charts for those KPIs have not been included in this report. The non-availability of data is not indicative of widespread disruption within the relevant services; Housing Services have been largely unaffected, and Community Wellbeing and Planning Development have workarounds in place to deliver services.

3.4 The summary of KPIs is categorised by Short Term Trend. Of the 15 measures included in the report, 7 measures have improved in the short term and 1 has not changed. Of the 7 measures that have worsened in the short term, 2 are red. Overall there are 9 measures at green, 1 at amber and 2 at red. There are 3 data only performance indicators.

4.0 Social Value Considerations

4.1 There are no social value implications in respect of the recommendations in this report.

5.0 Environmental Implications

5.1 There are no Environmental Implications in respect of the recommendations in this report.

6.0 Alternative Options Considered

6.1 There are no alternative options.

7.0 Reasons for Recommendations

7.1 The Council is committed to embedding a culture of Performance Management across the organisation and this report provides Members with an overview of corporate performance during the third quarter of 2021/22.

8.0 Future Work and Conclusions

8.1 The council uses performance data to influence decision-making and service improvement initiatives on a continuous basis.

9.0 Financial Implications

9.1 There are no financial implications resulting from the recommendations in this report.

(Financial Services have been consulted in the preparation this report.)

10.0 Legal Implications

10.1 There are no legal implications resulting from the recommendations in this report.

(One Legal have been consulted in the preparation this report.)

11.0 Risk & Opportunity Management Implications

11.1 The performance management system provides the opportunity to embed risk management within the performance framework by linking actions and PIs to risks, as well as having standalone risks.

12.0 People Impact Assessment (PIA) and Safeguarding:

12.1 This performance report is for information only, therefore a PIA is not required and there are no safeguarding matters to consider.

13.0 Community Safety Implications

13.1 There are no community implications resulting from the recommendations in the report.

14.0 Staffing & Trade Union Implications

14.1 There are no staffing and trade union implications resulting from the recommendations in the report.

Background Documents: None

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Gloucester City Council Quarterly Performance Report – Quarter 3 2021/22

Gloucester City Council
Transforming Your City

This report sets out the Council's performance against a set of key performance indicators.

PI Status	Long Term Trends	Short Term Trends
Alert	Improving	Improving
Warning	No Change	No Change
OK	Getting Worse	Getting Worse
Unknown		
Data Only		

Short Trend Improving

PI Code	Measure	Status	Short Term Trend	Long Term Trend
CCM-2	Number of enviro-crime FPNs issued	OK	Improving	Improving
CD & VE-1	Museum of Gloucester/TIC Footfall	OK	Improving	Getting Worse
CS-11	Number of complaints	Data Only	Improving	Improving
CS-3	Number of complaints that escalate to stage 2	Data Only	Improving	Improving
CS-8	Average customer waiting time (telephone)	OK	Improving	Improving
H-25	Number of affordable homes delivered, including: affordable rent; social rent; rent to homebuy; shared ownership; Low Cost Home Ownership discount. Data presented is cumulative across each year.	OK	Improving	Getting Worse
PG-24	Percentage of information governance responses (FOI/EIR,DPA,SAR) compliant with statutory deadlines	OK	Improving	Getting Worse

Short Trend No Change

PI Code	Measure	Status	Short Term Trend	Long Term Trend
WR-13	Percentage of domestic waste collected on time	Warning	No Change	Getting Worse

Short Trend Getting Worse

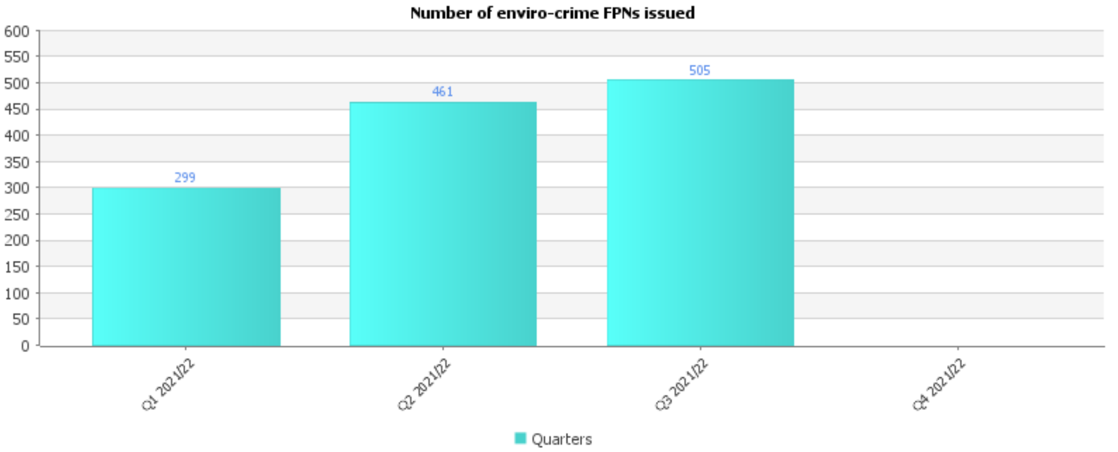
PI Code	Measure	Status	Short Term Trend	Long Term Trend
CS-6	Number of telephone calls	Data Only	Getting Worse	Improving
CWB-33	Number of ASB interventions by Solace completed successfully	OK	Getting Worse	Getting Worse
F-12	Financial Outturn vs. Budget	Alert	Getting Worse	Getting Worse
HR-3	Staff Absence Rate	OK	Getting Worse	Getting Worse
TM-6	Number of unique visitors to website visitgloucester.co.uk	OK	Getting Worse	Improving

PI Code	Measure	Status	Short Term Trend	Long Term Trend
WR-15	Percentage of Recycling Receptacles collected on time			
WR-31	Percentage of total waste recycled			

Quarter 3 Data Not Accessible

PI Code	Measure
CWB-1	Number of environmental health service requests
CWB-13	Percentage of broadly compliant food premises
CWB-2	Percentage of environmental health service requests responded to within 3 working days
DM-1	Percentage of major planning applications reviewed by a Design Review Panel
DM-2	Percentage of major applications where decisions were made within the agreed timescale or agreed extended period.
DM-3	Percentage of minor applications where decisions were made within the agreed timescale or agreed extended period.
H-10	Average number of new households placed in temporary accommodation
H-11	Average number of households in B&B Per Month
H-12	Average Households with children in B&B or shared facilities over 6 wks per month
H-15	Number of Homeseeker applications received
H-4	Number of successful homeless preventions

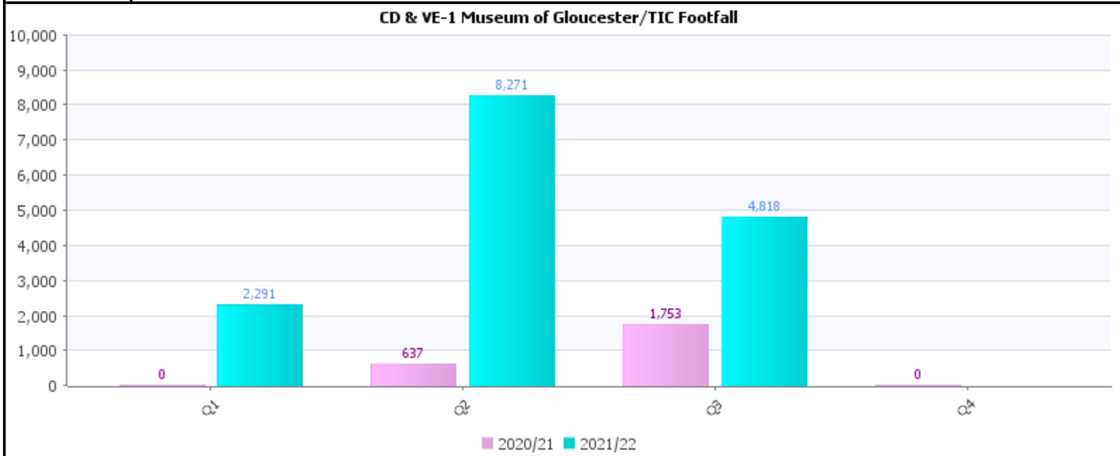
CCM-2	Number of enviro-crime FPNs issued



Status	
Short Term Trend	
Long Term Trend	
Current Value	505
Current Target	200
Red Threshold	120

With 4 Enforcement Officers operating, the number is FPNs issued is consistent with expectation.

CD & VE-1	Museum of Gloucester/TIC Footfall



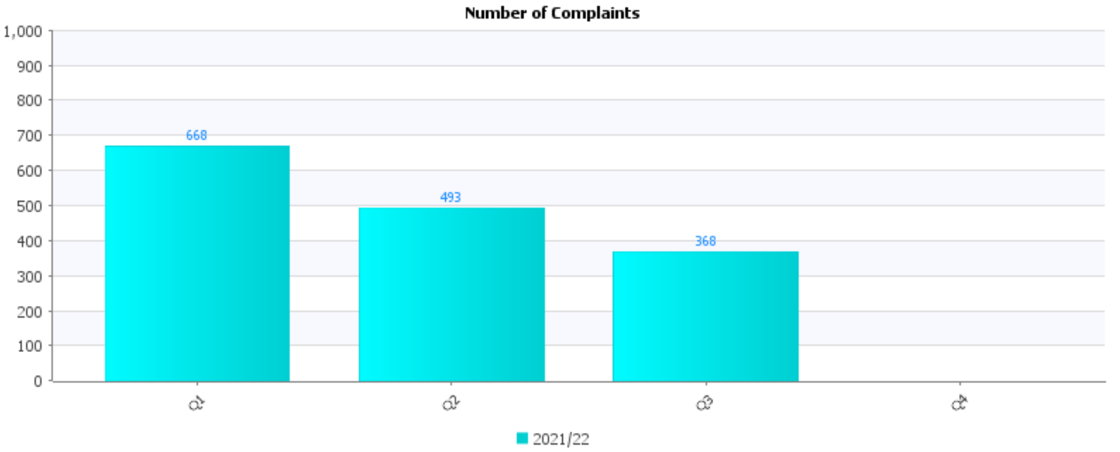
Status	
Short Term Trend	
Long Term Trend	
Current Value	4,818
Current Target	2,500
Red Threshold	2,250

The Museum of Gloucester and TIC saw nearly 5000 visitors during quarter 3.

History, Her Story, Their Story, Our Story was the main exhibition on display in the gallery for the duration of this period.

The end of October half term saw a change to off-peak opening hours where the venue closed it's doors at 4pm instead of 5pm.

CS-11	Number of complaints

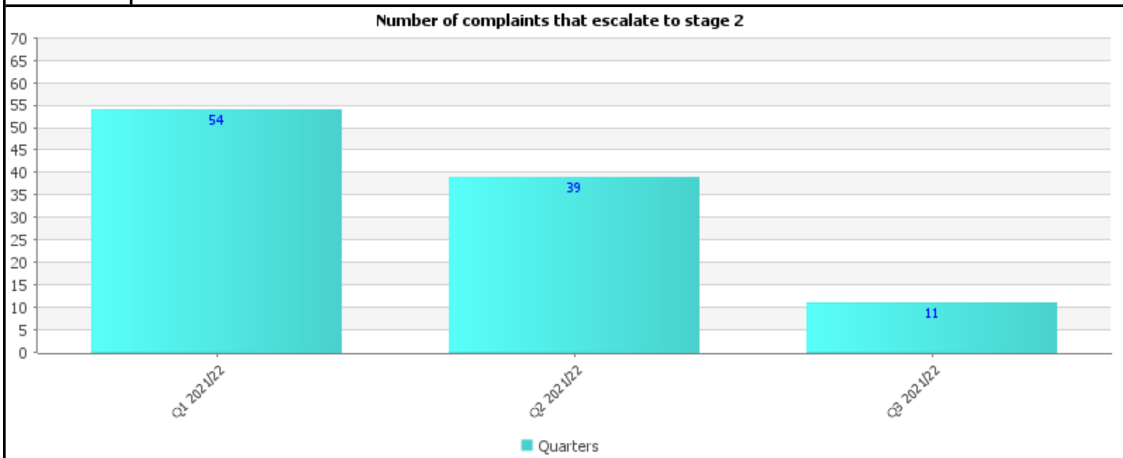


Status	
Short Term Trend	
Long Term Trend	
Current Value	368
Current Target	Data only
Red Threshold	Data only

Please note that due to system outages In Dec 21 we have been unable to run data for Dec from Focus (where the majority of complaints are raised). As such, this data is accurate for Oct and Nov and for Dec only contains complaints reported on Granicus. 93% of complaints were for Urbaser across the data we hold for the quarter.

For Q3 21/22 the total number of complaints raised on our systems for all council departments was 368. 11 of the total complaints we are able to view, across departments were logged as stage 2. These figures have been taken from Focus and also Firmstep/Granicus for Urbaser complaints.

CS-3	Number of complaints that escalate to stage 2

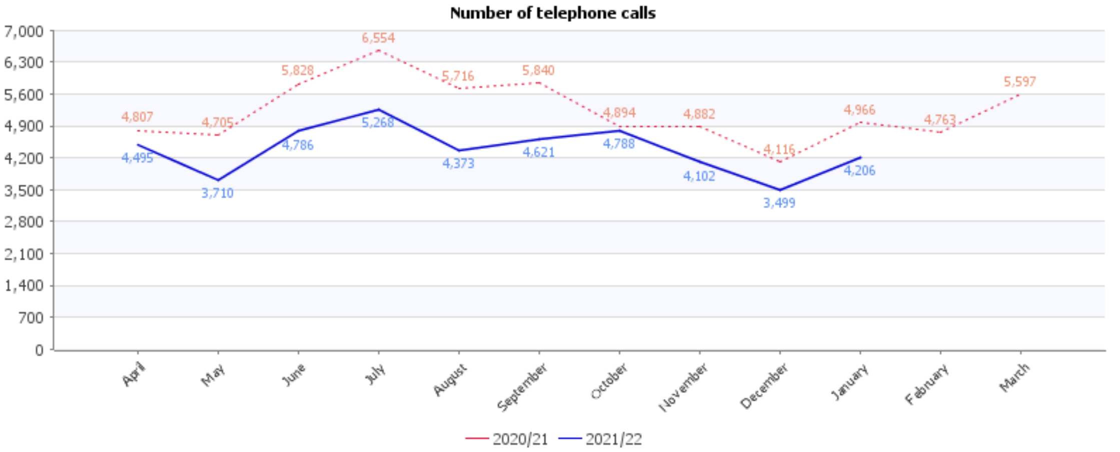


Status	
Short Term Trend	
Long Term Trend	
Current Value	11
Current Target	Data only
Red Threshold	Data only

Due to system outages we are unable to access Focus to report on the number of complaints that escalated to stage 2 in December. However, we are able to provide data from Firmstep/Granicus for Urbaser complaints.

For Q3 (Oct - Dec) we recorded 368 complaints from Focus 397 and Urbaser, of which 11 of these were stage 2. In Oct 181 complaints in total were logged with 4 of these being stage 2, in Nov we recorded 158 complaints of which 5 were stage 2 and in Dec we recorded 29 complaints with 2 being stage 2.
Please note that Dec data is incomplete as unable to run reports from Focus at this time.

CS-6	Number of telephone calls



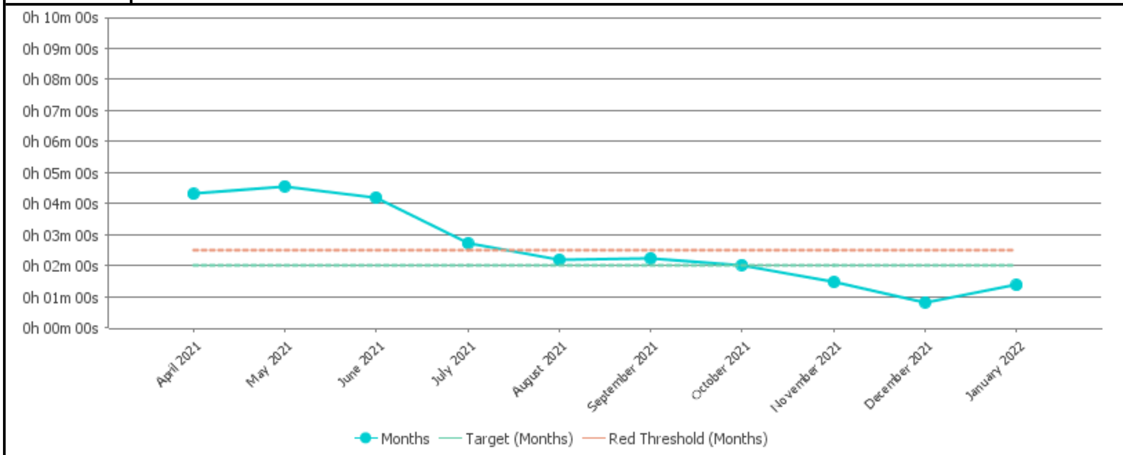
Status	
Short Term Trend	
Long Term Trend	
Current Value	4,206
Current Target	Data only
Red Threshold	Data only

In October we handled a total of 4788 calls and missed 480. We saw a continued volume of calls coming through "Any Other Query". High volumes were due to missed collections for recycling, domestic waste and garden waste due to operator shortages.

In November we handled a total of 4102 calls and missed 300. We saw a continued volume of calls coming through "Any Other Query". High volumes were due to missed collections for recycling, domestic waste and garden waste due to operator shortages.

In December we handled a total of 3499 calls and missed 164. We saw a continued volume of calls coming through "Any Other Query". December is historically a quieter month on the telephones but we continue to see the impact of missed collections due to HGV driver shortages and Covid.

CS-8	Average customer waiting time (telephone)



Status	
Short Term Trend	
Long Term Trend	
Current Value	0h 01m 27s
Current Target	0h 02m 00s
Red Threshold	0h 02m 30s

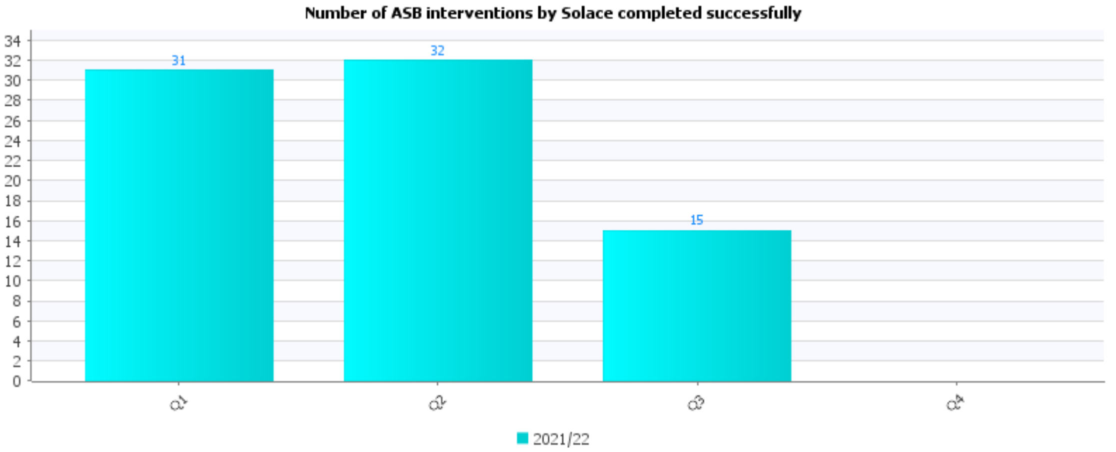
For Q3 2021/22 the average wait time for calls to be answered reduced down to 1 minutes and 27 seconds. The target is to be below 2 minutes.

This quarter has seen a large reduction in wait time for calls to be answered compared to Qt2 which saw an average wait time of 2 minutes and 23 seconds. The pre-Christmas months tend to seen a reduction in contact.

We secured 2 fixed term full time officers who started in May and June respectively who are now fully trained. However, 1 of the fixed term officers has now resigned at the end of Dec. The changes we made to staff working days in June to switch them from the end of the week to the beginning of the week where we see more volumes presented has been of value in supporting the reduction of wait times.

We have continued to work with the Transformation Team on implementing further iterations of changes previously put in place for some processes and this is ongoing. Work continues to be underway to have a bulky collection online process built which will enable those customers that can make bookings without the need to call us. We have also commenced work on the online missed bin collections although due to system outages this has been paused.

CWB-33	Number of ASB interventions by Solace completed successfully



Status	✔
Short Term Trend	↓
Long Term Trend	↓
Current Value	15
Current Target	10
Red Threshold	7

Formal action Intervention Rates were lower this quarter which has therefore led to a reduction in cases closed positively. The reasons for less interventions is due to the positive impacts of actions such as;

- Strong partnership working with City Safe, Police, City Improvement and various stakeholder agencies,
- Applying solutions in accordance with our Engagement and Regulatory Policy, this forms part of our "Engage, Support and Enforce" model. A great number of our interventions are resolved without having to take action through the courts and support a reduction in the incidence of ASB within the City.

During Q3 Solace’s Gloucester Team and the Team Leader undertook:

Continued Partnership working with Agencies such as P£, CGL, Nelson Trust, Probation, City Safe, City Mission as well as other support services.

Continued Working with Night Safe Team

Continued ASB roundtable with the PCC and Deputy PCC

Street aware

Interventions include dealing with instances of Street /Aggressive Begging and other incidents of ASB in the City Centre and the wider community.

Working with the Communications team to ensure updates published are timely and impactful

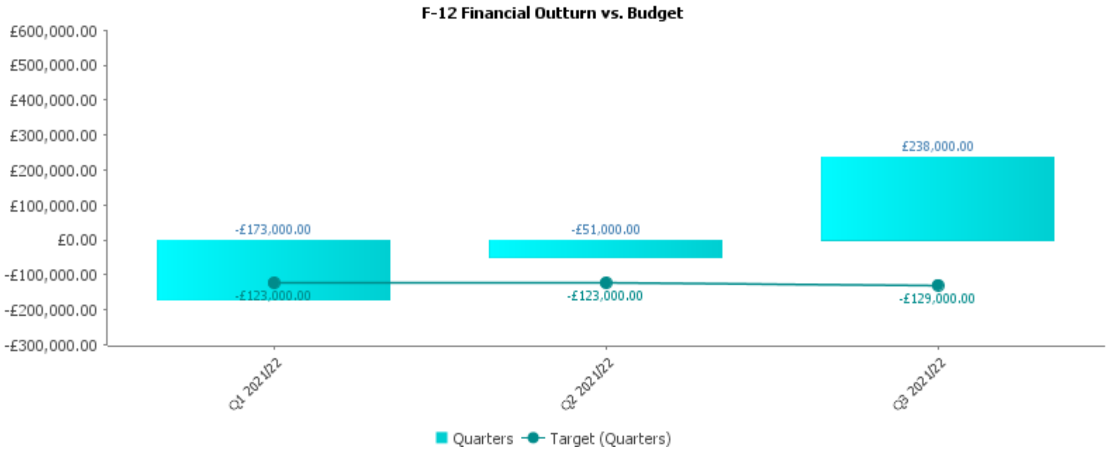
Street drinking:

- Continued to work with the multi-agency response to the PSPO alcohol review and how to move forward
- Multiple work on new ASB applications as well as breach hearings, some of which for judges seeking custodial sentencing.

Further work in the City:

Visibility of Officers coats with the Solace and Gloucester City Council logo are in the process of being ordered. This will make officers easily identifiable as working for and with the City Council – not only to the people they will be engaging with, but also to the public and businesses.

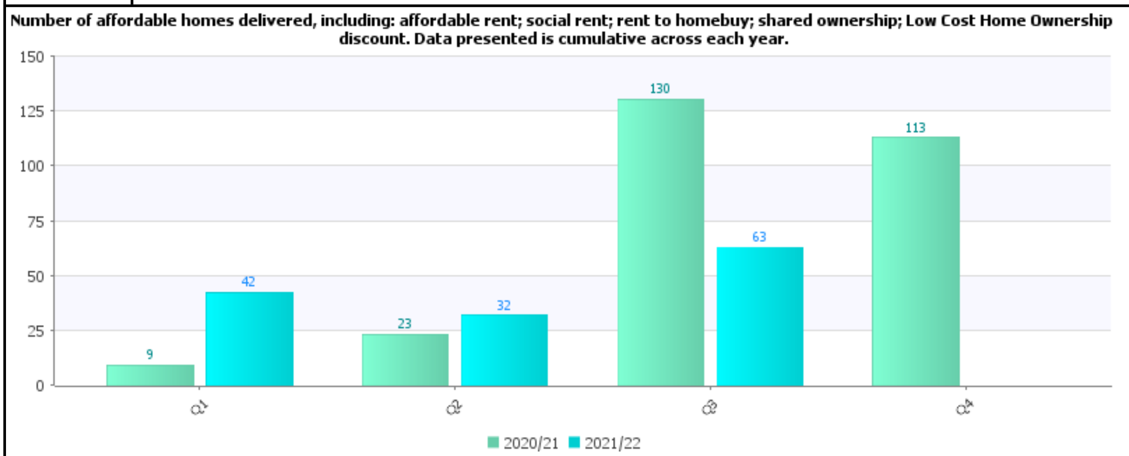
F-12	Financial Outturn vs. Budget



Status	
Short Term Trend	
Long Term Trend	
Current Value	£238,000.00
Current Target	-£129,000.00
Red Threshold	£200,000.00

The change from Quarter2 to Quarter3 is mainly as a result of the expected in year impact of the Cyber Incident. Full details across services are highlighted in the Financial Monitoring Report which also details the impact on income streams as a result of the COVID pandemic.

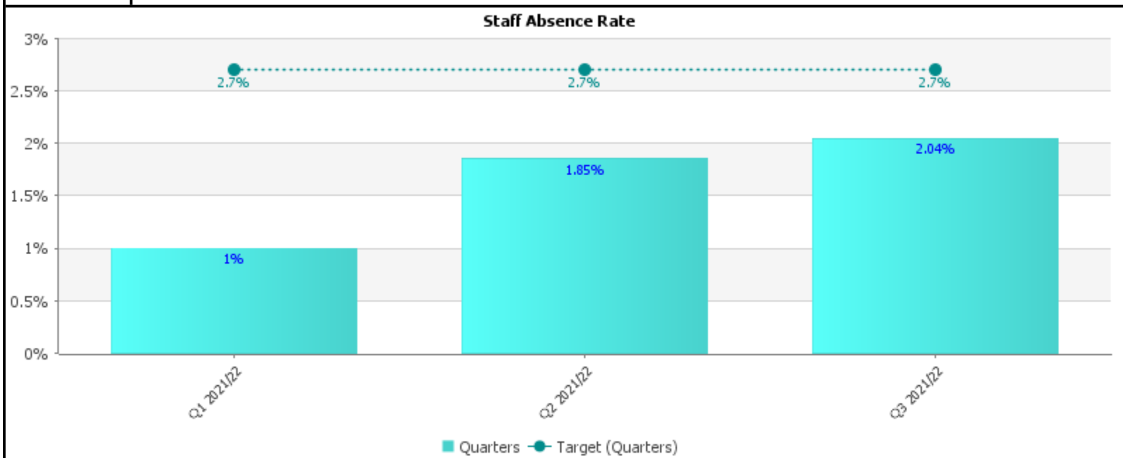
H-25	Number of affordable homes delivered, including: affordable rent; social rent; rent to homebuy; shared ownership; Low Cost Home Ownership discount. Data presented is cumulative across each year.



Status	
Short Term Trend	
Long Term Trend	
Current Value	63
Current Target	59
Red Threshold	47.2

63 affordable homes were delivered by registered providers during Q3 with 42 homes for affordable rent and 21 homes for shared ownership. We forecast that 97 affordable homes are due to be completed during Q4 which would result in 235 homes delivered during the year. However the construction industry is still experiencing delays due to the impact of Covid and consequently future completions may be delayed.

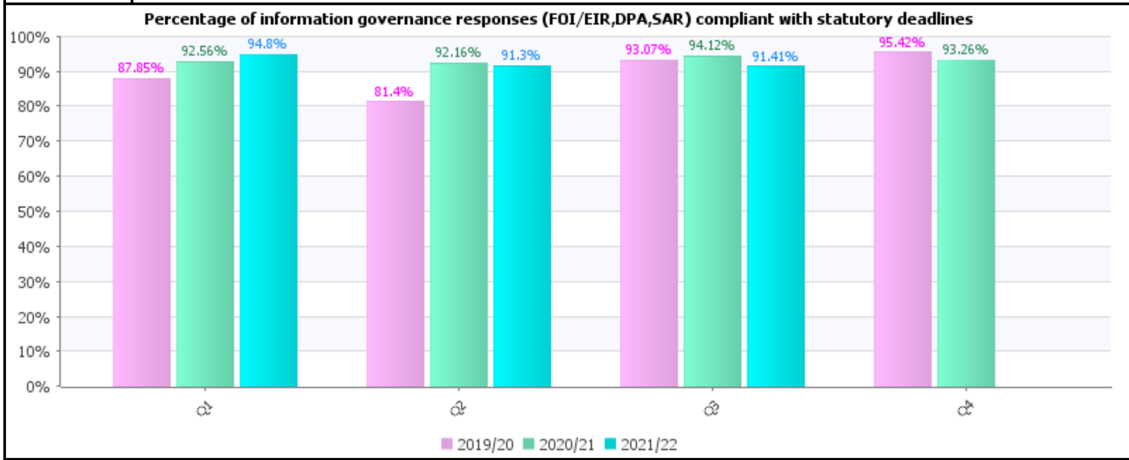
HR-3	Staff Absence Rate



Status	
Short Term Trend	
Long Term Trend	
Current Value	2.04%
Current Target	2.7%
Red Threshold	4%

The absence rate has increased slightly in Q3 from 1.85% in Q2. However, it remains under the target percentage for the Council of 2.75%. As government restrictions ease/end we could see a rise in absences as we move into Q4 given that individuals may no longer be working from home to the same extent and may be mixing socially to a greater degree.

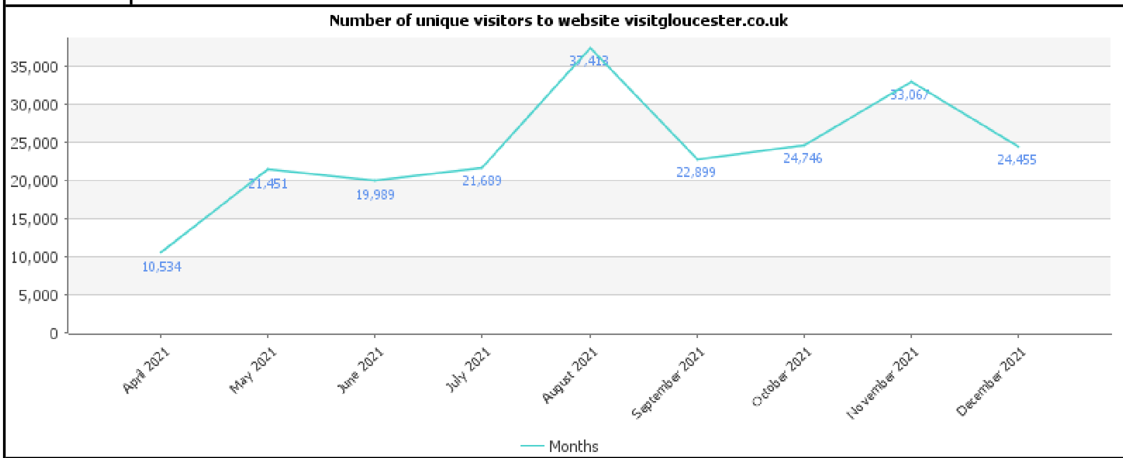
PG-24	Percentage of information governance responses (FOI/EIR,DPA,SAR) compliant with statutory deadlines



Status	
Short Term Trend	
Long Term Trend	
Current Value	91.41%
Current Target	90%
Red Threshold	81%

The aim is to respond to all requests by the statutory deadline, however, an increased target of 90% is set for monitoring purposes following improvement in performance in 2020/21. Performance has increased very slightly since Q2 and remains above target. This is a positive outcome given that the cyber incident had an impact on our ability to respond to some requests in the last two weeks of December. Looking ahead into Q4, we will continue to respond to information governance requests and, where we are unable to respond because the relevant information is not accessible, requesters will be informed prior to the deadline.

TM-6	Number of unique visitors to website visitgloucester.co.uk

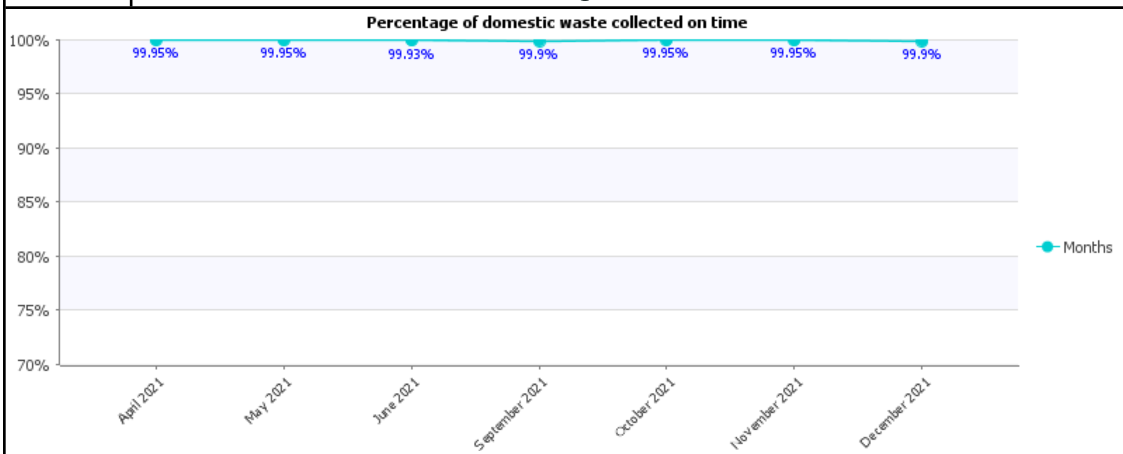


Status	
Short Term Trend	
Long Term Trend	
Current Value	24,455
Current Target	667
Red Threshold	500

November - Bright Nights and GWR Cmapaign driving growth.

December - Quieter month due to Bright Nights ending

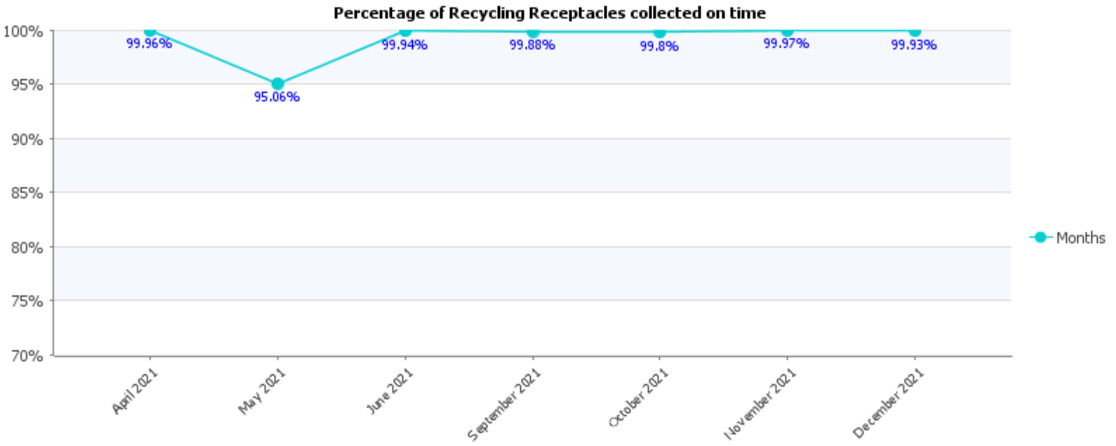
WR-13	Percentage of domestic waste collected on time



Status	
Short Term Trend	
Long Term Trend	
Current Value	99.9%
Current Target	99.9%
Red Threshold	98%

We continue to struggle to recruit HGV drivers and Covid continues to be an issue. However domestic waste collections continue to be prioritised.

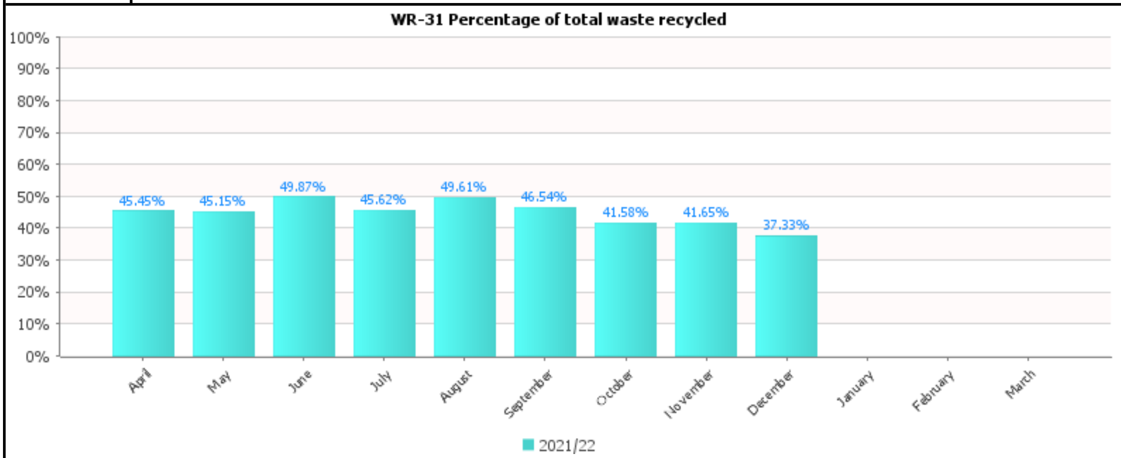
WR-15	Percentage of Recycling Receptacles collected on time



Status	
Short Term Trend	
Long Term Trend	
Current Value	99.93%
Current Target	99.9%
Red Threshold	99.85%

This figure is based on reported missed collections. It does not factor in any full streets that did not receive a collection because of a shortage of drivers for the rounds.

WR-31	Percentage of total waste recycled



Status	
Short Term Trend	
Long Term Trend	
Current Value	37.33%
Current Target	50%
Red Threshold	40%

The drop in the recycling tonnage in December, is a direct impact of the HGV driver shortage. The service is still 5 drivers short and priority is still given to residual and food waste collections, this means some residents receive a fortnightly recycling collection instead of weekly, and we endeavour to make sure this isn't the same residents by rotating any rounds which are missed. The only recycling stream which has maintained the tonnage level is food waste, this waste stream has remained on a weekly schedule throughout.

Gloucester City Council

Meeting:	**Cabinet**	**Date:**	**9 March 2022**
Subject:	**Financial Monitoring - Quarter 3, 2021/22**		
Report Of:	**Cabinet Member for Performance and Resources**		
Wards Affected:	**All**		
Key Decision:	**No**	**Budget/Policy Framework:**	**No**
Contact Officer:	**Hadrian Walters, Accountancy Manager**		
	Email: hadrian.walters@gloucester.gov.uk	**Tel: 396231**	
Appendices:	**1. Detailed Performance by Portfolio** **2. Capital Monitoring** **3. Savings Progress**		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To present to members the Council's current financial position against the agreed budgets for the 2021/22 financial year, and report on the performance of the Council against certain key financial performance indicators.

1.2 For Cabinet to note year-end forecasts, and the financial pressures on the Council during the 3rd Quarter ended 31st September 2022.

2.0 Recommendations

2.1 Cabinet is asked to **RESOLVE** it be noted that:

(1) the forecast year-end position for the financial year is currently a decrease to the General Fund balance of £109k against a budgeted increase of £129k

(2) the details of specific budgetary issues identified by officers and the actions being taken to address those issues

(3) the current level of Capital expenditure as shown in **Appendix 2**

(4) the financial implications of Covid-19 and the level of economic recovery from the effects of the pandemic will continue to be monitored and reported alongside any grant funding provided to mitigate the spend or lost income

(5) the estimated nature of some of the figures included in this report because of the cyber incident in December 2021.

3.0 Background and Key Issues

3.1 The Council approved the 2021/22 Budget in February 2021. This report sets out the financial position as at the end of December 2021 and is based on actual costs and income for the Quarter 3 of 2021/22 and forecast for the remainder of the financial year. Financial performance is a key element within the assessment of the Council's overall performance framework and is essential to achievement of the objectives within the Council's Policy Agenda and Plan.

3.2 The financial year 2020/21 was dominated by Covid-19 and its impact on the activities and finances of the Council. The pandemic created significant financial challenges for the Council with additional unexpected activities and their associated costs. These challenges have continued into 2021/22 with the focus continuing to be on ensuring the Council has sufficient financial resources to achieve its service delivery obligations.

3.3 The cyber incident in December 2021 has inevitably led to further financial pressures for the Council and disruption to the collation of this financial report. An initial estimate in relation to the net costs that will be incurred in Quarter 4 of 2021/22 of £150k has been included in the forecast outturn. Whilst the investigatory and recovery work is ongoing the full extent of the costs of the cyber incident is unknown. Accordingly, proposals to utilise some of the additional funding announced in the December Local Government Finance Settlement to increase the reserves are being included in the Money Plan and Budget being presented to Council on 24th February.

3.4 The forecast outturn at the end of Quarter 3 is to deliver a deficit of £238k against budget for the financial year 2021/22. As noted above, the December cyber incident has impacted on the production of this budget monitoring report and the figures included are based off the November 2021 ledger position with our best estimates of the costs and income incurred in December. Manual processes have been developed to ensure the Council continues to meet its obligations in relation to payments, and where possible collects the income due to it. Costs in relation to all the major contracts and arrangements have been updated based on the contractual arrangements, income and other costs are included on a best estimate basis.

3.5 In response to the continuing implications of the COVID19 pandemic in 2021/22, the Council was allocated £743k grant by central government. In addition, the Sales, Fees and Charges (SFC) compensation scheme was extended to the end of Quarter 1; the government has ended this compensation scheme as at the end of June 2021. The current forecast additional spending and income loss for 2021/22 is matched by the in-year funding awarded and the estimated income from the SFC compensation scheme. This report includes an accrual for the SFC claim submitted for Quarter 1 of £400k; settlement of this amount is still outstanding.

3.6 As noted in the Quarter 2 Budget Monitoring Report, the income of the Council has continued to be significantly impacted by Covid-19 during the first half of the financial year 2021/22. The third quarter has continued to see the performance of some of the affected income generating areas gradually improve. However, this recovery is slow and there is still uncertainty surrounding the long-term impact of the pandemic on some of the income sources in the Council budget. We will continue to closely monitor both income and expenditure pressures because of the pandemic and report these to central government.

3.7 The pressures or opportunities identified from in year budget monitoring have been included in the Money Plan and Budget to be presented to Council on 24th February 2022.

4.0 Whole Council Summary

4.1 The summary table below shows the forecast outturn position for the Council by Cabinet portfolio. **Appendix 1** provides the breakdown of the totals within each portfolio.

Council Summary	21/22 Budget	Actual	Year End Final	Final Variance
Communities & Neighbourhoods	983	518	947	(36)
Performance & Resources	1,113	2,472	2,708	1,595
Culture & Leisure	1,332	859	1,353	21
Planning & Housing Strategy	1,331	265	1,543	212
Environment & Leader	5,969	4,063	5,926	(43)
Corporate & Funding	(10,857)	(9,513)	(12,369)	(1,512)
Total	**(129)**	**(1,336)**	**109**	**238**

4.2 The December cyber incident has meant that the year end forecast position has switched from the net increase of £180k to the General Fund forecast at Quarter 2, to being a net decrease of £109k. However, as noted in section 3 above there is a significant level of uncertainty surrounding the recovery of income streams from the impact of the Covid pandemic, and regarding the impact of the cyber incident on both the costs and the income of the Council.

4.3 The variances currently noted from the budget monitoring process are explained by portfolio below.

5.0 Items of note by Portfolio

Communities and Neighbourhoods

Communities & Neighbourhoods	21/22 Budget	Actual	Year End Forecast	Forecast Variance
Community Strategy & Other Projects	798	513	782	**(16)**
Community Grants	125	(24)	120	**(5)**
Shopmobility	60	29	45	**(15)**
Total	**983**	**518**	**947**	**(36)**

5.1 This portfolio is currently forecast to be favourable to budget by £36k. This is primarily a result of staff vacancies in the Community Wellbeing service and at Shopmobility in the early part of the current financial year.

5.2 As noted in the Quarter 2 report, the Communities teams has continued its collaborative working with the County Council and the neighbouring districts to ensure a co-ordinated response to the pandemic, and where appropriate costs have been shared. This along with a variety of targeted Government grants is enabling spend to be maintained within the budgeted levels.

Performance and Resources

Performance & Resources	21/22 Budget	Actual	Year End Forecast	Forecast Variance
Financial & Corporate	805	533	749	(56)
Revenues & Benefits	915	339	678	(237)
IT	1,898	1,396	2,085	187
Parking	(1,583)	(739)	(1,058)	525
Business Support	361	229	340	(20)
Democratic Services	824	596	824	(0)
Asset Management	1,001	835	1,038	37
Commercial Property	(2,617)	(906)	(2,268)	348
SWRDA	(75)	(59)	(78)	(3)
Cemeteries & Crematorium	(1,514)	(913)	(1,230)	284
Internal Audit	198	118	164	(33)
Transformation/Commercialisation	118	81	140	22
HR & Communications	369	334	480	111
Legal Services	407	349	451	44
Housing Subsidy	(377)	2	3	380
Customer Services	384	280	392	8
Total	**1,113**	**2,472**	**2,708**	**1,595**

5.3 This portfolio includes many of the income generating activities of the Council that have been impacted by the Covid-19 pandemic, including Parking, Commercial Properties, and Revenues & Benefits. It also includes the IT budget which has been impacted by the increased costs in relation to the cyber incident.

5.4 The number of people parking in the city centre have slowly been increasing since the end of the lockdown in May 2021. The incidence of the Omicron variant of Covid over the festive period led to a slowing of this improvement in visitors to Gloucester in December. As a result the year end forecast outcome has declined by £25k from Quarter 2 to a shortfall for the year of £525k. The lost income from parking during Quarter 1 has been included in the Sales, Fees & Charges claim that has been submitted to the Government.

5.5 The Council manages more than £30m of Housing Subsidy and benefit payments, and the smallest percentage change can have a significant impact on the final outturn. There is a forecast budgetary pressure of £380k arising from the cost of providing Housing Subsidy. This cost is out of the Council's control. This pressure is mitigated by new burdens funding and the increased recovery of historic housing benefit overpayments by the Revenues & Benefits service that have reduced the net service spend by £237k.

5.6 The forecast for the Commercial Property portfolio is still for the full year to be adverse to budget by £348k. However, several new tenants have taken up occupancy at the various sites during Quarter 3 improving this forecast, and it should be noted that the St Oswald's and Eastgate properties are continuing to perform well despite the impact of the pandemic on retailers. The position is gradually improving as the Kings Square redevelopment approaches completion, and several new units have opened during Quarter 3, including Primark and Jamaica Blue.

5.7 As at Quarter 2, there continues to be a forecast budget pressure in the Cemeteries & Crematorium service. The current forecast outturn shows an improvement of £42k on the Quarter 2 position to a shortfall of £284k as a result of increased bookings at the Arbor since it has been able to open on a limited scale to cater for wakes. As noted in the summary above, this is lost income that has been included in the Sales, Fees and Charges grant claim.

5.8 Due to the high activity levels the Crematorium has seen increased costs in relation to cremator maintenance, and sanitisation costs in relation to the chapel. The current full year forecast remains cautious and the continued impact of the easing of the Covid restrictions will be closely monitored.

5.9 The overspend highlighted within the Human Resources area is a result of expected income for apprentice salaries not being met since the introduction of the levy in 2016/17. This is an historic budgetary pressure that has been addressed in the 2022/23 Money Plan.

Culture & Leisure

Culture & Leisure	21/22 Budget	Actual	Year End Forecast	Forecast Variance
Museums	578	370	561	(17)
Guildhall & Blackfriars	410	297	418	8
Events	285	73	247	(38)
Destination Marketing	176	160	203	26
Aspire	(30)	40	21	51
Markets & Street Trading	(87)	(80)	(97)	(10)
Total	**1,332**	**859**	**1,353**	**21**

5.10 This portfolio is another portfolio that has been significantly affected by the loss of income due to the Covid-19 pandemic. The net expenditure for the year is currently forecast to be £21k adverse to budget. Due to the cyber incident the forecast outcome included for this service area of the Council is currently subject to a high degree of estimation due to it being more income based. The position will continue to be refined as we progress through Quarter 4 and have time to review and fully reconcile the income and expenditure items.

5.11 After being closed for most of 2020/21 the Council's cultural venues are starting to re-open to the public once more. The Culture & Leisure team have run a successful summer events programme and are hoping for similar success with their winter events programme. As noted in the summary above, the lost income from this service has been included in the Sales, Fees and Charges grant claim. The Culture & Leisure team have also been very active in applying for grants from various sources to support their work and to improve the venues.

5.12 The Council continues to support the leisure trust in the wake of the pandemic. This has led to an additional cost pressure to the Council in the 1st Quarter of 2021/22 of £50k. Since May 2021 the costs incurred by the Council in relation to Aspire are being recovered in full.

Planning and Housing

Planning & Housing Strategy	21/22 Budget	Actual	Year End Forecast	Forecast Variance
Planning	(43)	176	291	334
Planning Policy	225	174	365	140
Community Infrastructure Levy	-	(224)	0	0
Land Charges	(71)	(73)	(73)	(3)
Private Sector Housing	200	80	154	(46)
Housing Strategy	114	55	91	(22)
Homelessness & Housing	906	78	715	(190)
County Homelessness Partnerships	0	0	(0)	(0)
Total	**1,331**	**265**	**1,543**	**212**

5.13 This portfolio is currently forecast to be adverse to budget by £212k. Due to the cyber incident the forecast outcome included for the Planning service area of the Council has worsened by £82k. This is based on the current estimates of the impacts on the 2021/22 income due to the delays caused to the Council's service provision. The position will continue to be refined as we progress through Quarter 4 and have time to review and fully reconcile the income and expenditure items.

5.14 The planning service is currently forecast to be £334k adverse to budget. This position is common with many planning councils around the country due to a surge in small scale planning applications from householders who have spent more time at home due to the pandemic. The statutory nature of the fees that can be charged prevents the full costs of providing the service from being recouped. It is hoped that some of the major development projects planned within the city will boost this income in the next year. This position will continue to be kept under review by the officers in the service.

5.15 The City Plan review process and its associated costs are being incurred during 2021/22 but as noted at the February 2021 Budget Meeting, the costs incurred in relation to this process are being met by earmarked reserves specifically put in place for this purpose in the 2020/21 financial outturn. Accordingly, the £140k forecast excess spend for Planning Policy is being met by a release of the earmarked reserve in the Corporate and Funding line in the Council Summary position.

5.16 The overall homelessness budget for the year is forecast to be favourable to budget by £190k as a result of a combination of the positive steps taken by the Council over the past two years to increase the temporary accommodation capacity available to it, and the actions taken to ensure all Government grant and benefit funding is being promptly claimed. This position will continue to be closely monitored during the remainder of 2021/22.

Environment

Environment & Leader	21/22 Budget	Actual	Year End Forecast	Forecast Variance
Waste & Recycling	4,554	3,130	4,342	**(212)**
Streetcare & City Centre	373	358	464	**92**
Environmental Health	188	143	196	**7**
Licensing	(140)	(229)	(117)	**23**
Parks & Countryside	183	146	217	**34**
Economic Development	259	198	292	**33**
Heritage	115	45	141	**26**
Climate Change & Environment	64	41	73	**9**
Senior Management	373	230	319	**(53)**
Total	**5,969**	**4,063**	**5,926**	**(43)**

5.17 This portfolio is currently forecast to be favourable to budget by £43k.

5.18 The primary cause of the favourable budget variance is increased income from recyclable materials. This is a combination of price increases for recyclable materials and improved recycling quantities has led to a significant increase in the income raised by the Council from the sale of the recycling commodities. This has created a forecast favourable variance on the Waste contract of £212k for the year, a further improvement on the Quarter 2 position of £28k.

5.19 There are potential future budget pressures in relation to the Waste and Streetcare contract that have been identified and will continue to be monitored during the year. These include the national shortage of HGV drivers creating upward pressures on salary costs, potential issues with the fulfilment of waste collections, and technical issues with the sorting plant equipment during January.

5.20 The Economic Development excess spend of £33k includes the additional cost of the Major Projects Officer who has been appointed to oversee the various capital ongoing projects in the Kings Quarter area of the city. This role is being funded by the Regeneration Reserve; which is included in the Corporate and Funding line in the Council Summary position.

5.21 The overspends for the other services within this portfolio are primarily a result of the various pandemic related activities that have been necessary during the year and are covered either by specific grant funding or the general Government support grants referenced in the summary above.

Corporate and Funding

5.22 Government support as a result of COVID19 has continued during 2021/22 with the payment of Covid Emergency Funding Grant of £743k and Tax Income Guarantee Grant of £272k in Quarter 1. As noted above there a claim for lost SFC income during Quarter 1 has been submitted for a total of £400k.

5.23 The report above is currently forecasting income from Business Rates and Council Tax at the levels included in the 2021/22 Budget papers; these levels will be monitored and assessed throughout the year.

5.24 As noted in 5.15 and 5.20 above, there is a release of earmarked reserves (the Planning Reserve and the Regeneration Reserve) to fund previously agreed specific items of expenditure in relation to the City Plan and the Major Projects officer role respectively.

6.0 Capital Programme

6.1 The Capital Programme budget for the year is £24.969m including budgets carried forward from 2020/21. The expenditure for the period to quarter 3, including amounts committed totals £12.067m. The Council has a number of significant projects within the capital programme and at quarter 3, forecast expenditure is in line with budget.

6.2 Major regeneration projects include Kings Square and The Forum. Work on Kings Square continues with the project scheduled for completion March 2022. The first phase of Kings Quarter - The Forum has started, this is a significant regeneration project for the City. Primark have taken opened their new store and the Council has purchased the freehold of the old Primark Store.

6.3 The Council agreed to join the Ubico waste service earlier in 2021; mobilisation of this contract continues, the Council has commenced purchasing new waste vehicles for the future provision of this service.

6.4 The Council continues to work with partners to deliver projects, this now includes the Cathedral Quarter as part of the Heritage Action Zones with The Historic Buildings and Monuments Commission. While work with Great Western Railway and the LEP will see improvements to the railway station, complementing our new Transport Hub.

6.5 The capital programme is funded from grants, capital receipts and borrowing. The current programme includes £7m grant funded projects. Significant projects including The Forum and Kings Square will be funding from borrowing with costs met from revenue generated from these projects.

6.6 The nature of capital projects means that many of them span a number of financial years; budgets are set per project any unspent budgets at the end of any one financial year may be carried forward into the next.

6.7 A summarised table for the Capital Programme is shown as **Appendix 2** to this report.

7.0 Prompt payment performance

7.1 The Council aims to make payments to all suppliers promptly and in accordance with contract terms. Due to the cyber incident that occurred in December 2021 we currently do not have access to sufficient data to be able to provide these statistics for the 3rd Quarter of 2021/22. Following the cyber incident processes have been put in place to ensure the continued payment of the Council's creditors as promptly as is feasible in the circumstances.

	Oct	Nov	Dec	Qtr 3
Number paid within 30 days	- -	- -	- -	- -
Number paid over 30 days	- -	- -	- -	- -
Average Days to Pay (from receipt of invoice to payment date)	-	-	-	-

8.0 Progress against savings targets

8.1 The Council's 2021/22 budget was approved by Council in February 2021, and in setting the budget members agreed to the delivery of £160k savings during the year. Full details of the Council's progress against its savings targets are shown at **Appendix 3**. Budget savings have been annotated as 'green' (saving is achievable in the year), 'amber' (slippage on saving and the saving is at risk of not being delivered in 2021/22) and 'red' (the saving will not be achieved in 2021/22).

9.0 Social Value Considerations

9.1 There are no social value implications as a result of this report.

10.0 Alternative Options Considered

10.1 A wide range of options are explored by officers in order to reduce budgetary pressure, to achieve savings targets, and to ensure value for money.

11.0 Reasons for Recommendations

11.1 It is a good practice for members to be regularly informed of the current financial position of the Council. This report is intended to make members any of any significant issues in relation to financial standing and any actions that officers are taking in response to identified variances.

12.0 Future Work and Conclusions

12.1 Work will continue to reach savings targets or limit in year budget pressures.

13.0 Financial Implications

13.1 All financial implications are within the report, which is of a wholly financial nature.

14.0 Legal Implications

14.1 There are no legal implications from this report. One Legal have been consulted in the preparation this report.

15.0 Risk & Opportunity Management Implications

15.1 There are no specific risks or opportunities as a result of this report

16.0 People Impact Assessment (PIA):

16.1 A PIA screening assessment has been undertaken and the impact is neutral. A full PIA is not required.

17.0 Other Corporate Implications

<u>Community Safety / Sustainability / Staffing & Trade Union</u>

17.1 None

Background Documents: None

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Gloucester City Council
Monitoring Position
Month 9: December 2021

Council Summary	21/22 Budget	Actual	Year End Final	Final Variance
Communities & Neighbourhoods	983	518	947	(36)
Performance & Resources	1,113	2,472	2,708	1,595
Culture & Leisure	1,332	859	1,353	21
Planning & Housing Strategy	1,331	265	1,543	212
Environment & Leader	5,969	4,063	5,926	(43)
Corporate & Funding	(10,857)	(9,513)	(12,369)	(1,512)
Total	**(129)**	**(1,336)**	**109**	**238**

Communities & Neighbourhoods	21/22 Budget	Actual	Year End Forecast	Forecast Variance
Community Strategy & Other Projects	798	513	782	(16)
Community Grants	125	(24)	120	(5)
Shopmobility	60	29	45	(15)
Total	**983**	**518**	**947**	**(36)**

Performance & Resources	21/22 Budget	Actual	Year End Forecast	Forecast Variance
Financial & Corporate	805	533	749	(56)
Revenues & Benefits	915	339	678	(237)
IT	1,898	1,396	2,085	187
Parking	(1,583)	(739)	(1,058)	525
Business Support	361	229	340	(20)
Democratic Services	824	596	824	(0)
Asset Management	1,001	835	1,038	37
Commercial Property	(2,617)	(906)	(2,268)	348
SWRDA	(75)	(59)	(78)	(3)
Cemeteries & Crematorium	(1,514)	(913)	(1,230)	284
Internal Audit	198	118	164	(33)
Transformation/Commercialisation	118	81	140	22
HR & Communications	369	334	480	111
Legal Services	407	349	451	44
Housing Subsidy	(377)	2	3	380
Customer Services	384	280	392	8
Total	**1,113**	**2,472**	**2,708**	**1,595**

Culture & Leisure	21/22 Budget	Actual	Year End Forecast	Forecast Variance
Museums	578	370	561	(17)
Guildhall & Blackfriars	410	297	418	8
Events	285	73	247	(38)
Destination Marketing	176	160	203	26
Aspire	(30)	40	21	51
Markets & Street Trading	(87)	(80)	(97)	(10)
Total	**1,332**	**859**	**1,353**	**21**

Planning & Housing Strategy	21/22 Budget	Actual	Year End Forecast	Forecast Variance
Planning	(43)	176	291	334
Planning Policy	225	174	365	140
Community Infrastructure Levy	-	(224)	0	0
Land Charges	(71)	(73)	(73)	(3)
Private Sector Housing	200	80	154	(46)
Housing Strategy	114	55	91	(22)
Homelessness & Housing	906	78	715	(190)
County Homelessness Partnerships	0	0	(0)	(0)
Total	**1,331**	**265**	**1,543**	**212**

Environment & Leader	21/22 Budget	Actual	Year End Forecast	Forecast Variance
Waste & Recycling	4,554	3,130	4,342	(212)
Streetcare & City Centre	373	358	464	92
Environmental Health	188	143	196	7
Licensing	(140)	(229)	(117)	23
Parks & Countryside	183	146	217	34
Economic Development	259	198	292	33
Heritage	115	45	141	26
Climate Change & Environment	64	41	73	9
Senior Management	373	230	319	(53)
Total	**5,969**	**4,063**	**5,926**	**(43)**

Capital Programme 2021/22 **Appendix 2**

Scheme	Budget 2021/22	Actual Spend to date	Commitments	Variance	Forecast
Kings Quarter - The Forum	6,000,000	2,519,400	170,000	3,310,600	6,200,000
ICT Projects	50,000	-	-	50,000	200,000
Kings Square	4,719,236	3,009,326	1,400,000	309,910	4,716,000
Domestic Waste Vehicles	5,007,717	107,993	1,500,000	3,399,725	5,007,717
Food Dock	1,700,000	150,000	-	1,550,000	1,000,000
GWR - Railway Improvements	2,500,000	500,000	180,000	1,820,000	900,000
Housing projects	736,607	511,246	-	225,361	536,353
GCC Building Improvements	2,337,000	829,150	300,000	1,207,850	2,337,000
Grant Funded Projects	1,035,440	343,698	25,000	666,742	837,300
Drainage and Flood Protection Works	100,000	13,115	-	86,885	75,000
Horsbere Brook Local Nature Reserve works	60,000	45	-	59,955	10,000
Play Area Improvement Programme	60,000	26,554	3,000	30,446	75,000
S106 Projects	663,003	283,484	25,000	354,519	244,653
Oxbode	-	170,000	-	(170,000)	170,000
TOTAL CAPITAL PROGRAMME	**24,969,003**	**8,464,012**	**3,603,000**	**12,901,991**	**22,309,023**

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Savings Monitoring 2021/22

Appendix 3

Savings Target 2021/22

Portfolio	Service	Details: aim of the project	Target £000	Achieved £000	In Progress £000	At Risk £000	Comments	
Communities and Neighbourhoods	Community Wellbeing	Reduce Member Grant allocation	(9)	(9)	0	0	Agreed at Budget Council (Feb 2021)	☺
Leader & Environment	Environmental Services	Stop sea-gulls management program	(10)	(10)	0	0	Contract not renewed	☺
	Neighbourhoods	Increase Garden Waste charges	(40)	0	(40)	0	Increase to charges agreed at the February 2021 Budget Council. Service changes have been proposed for 2022/23 with no increase to the annual charge delaying the proposed inflationary increase until the February 2023 billing cycle for 2023/24.	😐
Policy and Resources	Financial Services	Reduce number of Pool Vehicles	(7)	0	(7)	0	Current and forecast usage being assessed. Discussions with Enterprise in progress	☺
	Human Resources	Reduce Human Resources shared service agreement with Gloucestershire County Council	(35)	0	(35)	0	Reductions agreed and to be implemented	😐
	Communications	Stop Printing City Life, go digital	(4)	(4)	0	0	City Life printing has ceased. Digital information services implemented	☺
	Asset Management	Castlemeads Car Park	(25)	0	(25)	0	Castlemeads car park now has a Parking Order and is available for public use all week	☺
	Corporate Management	Review of the City's Corporate Management function	(30)	0	(20)	(10)	Review in progress. Part-time staff member leaving and not being replaced	😐
Total			**(160)**	**(23)**	**(127)**	**(10)**		

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Agenda Item 12

Gloucester City Council

Meeting:	**Cabinet** **Council**	**Date:**	**9 March 2022** **24 March 2022**
Subject:	**Capital Strategy 2022/23**		
Report Of:	**Cabinet Member for Performance and Resources**		
Wards Affected:	**All**		
Key Decision:	**No**	**Budget/Policy Framework:**	**Yes**
Contact Officer:	**Jon Topping, Director of Policy and Resources** **Email: jon.topping@gloucester.gov.uk**	**Tel: 396242**	
Appendices:	**1. Capital Strategy 2022/23**		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To formally recommend that Council approves the attached Capital Strategy.

2.0 Recommendations

2.1 Cabinet is asked to **RECOMMEND** that the Capital Strategy be approved.

2.2 Council is asked to **RESOLVE** that:

(1) The Capital Strategy at Appendix 1 be approved;

3.0 Background and Key Issues

3.1 The Capital Strategy focuses on core principles that underpin the Council's five year capital programme, providing a position statement of progress (capital expenditure) and the resources available (funding). The Strategy projects the Capital programme while setting out how the programme will be achieved focusing on key issues and risks that will impact on the delivery of the Capital strategy and the governance framework required to ensure the Strategy is delivered.

3.2 The Strategy maintains a strong and current link to the Council's priorities and to its key strategy documents, notably the Treasury Management Strategy, Asset Management Strategy, Property Investment Strategy, Medium Term Financial Plan and the Corporate Plan.

4.0 Alternative Options Considered

4.1 The Capital Strategy is a requirement of the CIPFA Prudential Code, no alternatives considered as this is a code requirement.

5.0 Reasons for Recommendations

5.1 Capital Strategy is a requirement of the CIPFA Prudential Code.

6.0 Future Work and Conclusions

6.1 The Capital Strategy will be monitored and reviewed annually.

7.0 Financial Implications

7.1 There are no direct financial implications arising from this report. The Capital Strategy provides a position statement with regards to capital expenditure and the resources available in terms of funding.

8.0 Social Value Considerations

8.1 This report notes the Capital Strategy of the Council. This is a requirement of the CIPFA Prudential Code – ESG requirements are included within the Code.

9.0 Legal Implications

9.1 The Council is required to have a Capital Strategy to meet the requirements of the Local Government Act 2003, Localism Act 2011, Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020, the CIPFA Prudential Code, DLUHC Minimum Revenue Provision Guidance, the CIPFA Treasury Management Code and DLUHC Investment Guidance.

10.0 Risk & Opportunity Management Implications

10.1 The Council must have reviewed its Capital Strategy by 31st March 2022.

11.0 People Impact Assessment (PIA):

11.1 A PIA screening assessment has been undertaken and the impact is neutral. A full PIA is not required.

12.0 Other Corporate Implications

Community Safety

12.1 None

Sustainability

12.2 None

Staffing & Trade Union

12.3 None

Background Documents:

Local Government Act 2003
CIPFA Treasury Management Code
CIPFA Prudential Code
DLUHC MRP Guidance

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Appendix 1 Capital Strategy 2022/23

Introduction

This capital strategy sets out how Gloucester City Council intend to spend capital to provide services and meet the strategic aims in the Council plan. This strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members', residents and other stakeholders understanding of these areas.

Background

The Capital Strategy demonstrates that the authority takes capital investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. The Capital Strategy also sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes. Decisions around capital expenditure, investment and borrowing should align with the processes established for the setting and revising of the budget for the local authority.

The Capital Strategy should also be tailored to the authority's individual circumstances and should include capital expenditure, investments and liabilities and treasury management. For Gloucester, the Treasury Management Strategy drawn up in line with the Treasury Management Code will continue to be published as a separate document and this will remain separate to differentiate between the demand and assessment of capital expenditure and the management of the investment and borrowing portfolio.

CIPFA published the revised codes on Treasury Management and Prudential Code on 20th December 2021. Formal adoption is required from 2023/24 Financial Year. Both the Capital Strategy and Treasury Management Strategy are produced in accordance with the Prudential Code.

Policy Context

The Council plan 22-24 defines the Council's vision:

"Building a greener, fairer, better Gloucester"

The priorities to support this vision are:

1. Building greener, healthier, and more inclusive communities
2. Building a sustainable city of diverse culture and opportunity
3. Building a socially responsible and empowering council

The vision and priorities are underpinned by our core values.

For full details of the Council Plan see: **Council Plan**

The Capital Strategy is an important policy document in delivering the Council's Vision in terms of maintaining and extending the Council's asset base but needs to take a longer-term view to reflect the life cycle of capital assets. The life cycle of capital assets, often known as non-current assets, will range between 5-60 years or even longer if land is acquired. Decisions made now will affect residents, business and other stakeholders for many years to come.

Capital Expenditure and Financing

Capital expenditure is where the Council spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £6,000 are not capitalised and are charged to revenue in year.

- For details of the Council's policy on capitalisation, see: Statement of Accounts 2020/21 page 21, Accounting Policies point 19 - Statement of Accounts

In 2022/23, the Council is planning capital expenditure of £27.537 as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
General Fund services	23.909	27.537	27.537	32.790	44.949
TOTAL	23.909	27.537	27.537	32.790	44.949

The capital programme includes a variety of projects from large regeneration to smaller individual projects, the main capital projects are detailed below:

Kings Quarter – The Forum is progressing; Council approved the project in January 2021. The project will see significant investment by the Council in both the physical, economic, and cultural redevelopment of this part of the city. The plans include retail, office, hotel and residential areas which will see this part of the City completely redeveloped. The required investment will be £107m and will be a long-term investment of up to 50 years. Significant due diligence has been undertaken with financial, property and legal advisors to confirm the projects long term viability. The development agreement was agreed late 2021 and the main contractor Keir were procured in January 2022 within the required funding envelope. Work has already commenced on phase 1, with an expected completion September 2022, to deliver residential units and relocation of the Tesco store in Grosvenor House.

In 2021 the Council was awarded £20m ‘levelling up’ funding from DLUHC which will support circa £200m of investment in the City. The overall purpose of package is to ‘rocket charge’ the regeneration of the City Centre, hugely increasing footfall, employment, tourists and overall economic growth by bringing back into creative use two empty buildings and a vacant site. The City Centre at present predominantly serves as a centre for local shopping and services. Its localised primary catchment area has high levels of deprivation. The three projects will combine to boost local pride, visibly demonstrate greater activity, and less empty buildings/sites, fill a major gap in tourist and visitor provision, bring Higher Education courses into the City Centre for the first time and provide new secure business facilities for start-ups in growth sectors. This will in turn create much greater footfall and consumer demand and stimulate further investment, as well as an audience for more cultural events planned for Kings Square.

The projects are:
The **Fleece Hotel** located in the heart of historic Gloucester, is a derelict Grade I and II Listed building. The funding will enable Phase 1 (2,170 sqm) of a high-quality mixed-use scheme to be developed.

The **UoG** has acquired the vacant iconic former Debenhams building, which is the first time a University has done this, to create a new City Campus for teaching, learning and community partnerships in the City Centre. The LUF bid will also enable an important public role in the UoG building by creating a drop in Well Being Centre, a new digitally enabled public library and information centre.

The **Forge Digital Innovation and Incubation Centre** will provide 2,430 sqm of accommodation and support for high value added SME businesses. It will form part of the wider mixed-use Forum development which will provide a vibrant and active destination in an important gateway adjacent to the City Centre bus station and rail interchange, in the Kings Quarter area.

The redevelopment of Kings Square is due for completion in March 2022. This significant project, part of the Councils regeneration plans will open up the square as a vibrant area for cultural and leisure within the City.

The Council continues to upgrade the Kings Walk site. Anchor tenant Primark has recently taken ownership of their store, this has redesigned the outside of the centre. Future work will see improvements to the Eastgate facias as well as improvements to the Mall. This will include work on the Clarence Street and Kings Square entrances. The Council anticipates initially borrowing to facilitate this project, with borrowing costs being met by the forecast income.

Work with partners is ongoing as part of the wider regeneration plans. Redevelopment of the Railway Station will ultimately see it link to the Transport Hub and City Centre supporting the Kings Quarter regeneration. The redevelop work is ongoing with the project funded via the LEP.

Food Dock is due for completion August 2022 bringing additional regeneration to the Docks within the City. The Council arranged additional funding to Ladybellgate Estates to facilitate the redevelopment of the Food Dock, this will bring economic benefits to the City Centre.

Housing Projects – The purchase of St Oswald's and approval of revised Housing Strategy will bring a number of housing projects forward. As these projects are developed any required investment for delivery will be analysed to seek affordable solutions.

Governance: The Major Projects Steering group and/or the Property Investment Board review significant projects for inclusion within the Council's capital programme. Projects are collated by finance who calculate the financing cost (which can be nil if the project is fully externally financed). The groups appraise all bids based on a comparison of service priorities against financing costs and makes recommendations for the capital programme. The final capital programme is then presented to Cabinet and Council in February each year.

- For full details of the Council's capital programme see: Money Plan

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
External sources	4.935	3.853	3.893	2.260	0.275
Own resources	0.467	2.000	0.444	0.330	0.474
Debt	1.441	18.056	23.200	0.000	00.000
TOTAL	**23.909**	**27.537**	**27.537**	**30.200**	**44.200**

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

Table 3: Replacement of debt finance in £ millions

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
Own resources	0.870	2.035	2.301	2.350	2.377

- The Council's full minimum revenue provision statement is available here: Treasury Management Strategy - MRP

The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £20.899m during 22/23. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	31.3.2021 actual	31.3.2022 forecast	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget
General Fund services	118.949	134.970	155.869	183.719	225.542
TOTAL CFR	**118.949**	**134.970**	**155.869**	**183.719**	**225.542**

Asset management: To ensure that capital assets continue to be of long-term use, the Council has an asset management strategy in place. Gloucester City Council has a diverse estate from ancient monuments to commercial property. The asset management strategy details our approach to managing our diverse assets including our acquisitions and disposals, planned maintenance, governance and performance.

- The Council's asset management strategy can be read here: Asset Management Strategy

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects until 2023/24. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £4.5m of capital receipts in the coming financial year as follows:

Table 5: Capital receipts in £ millions

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
Asset sales	0.192	0.990	4.500	1.000	0.500
Loans repaid	0.000	0.000	0.000	0.000	0.000
TOTAL	**0.192**	**0.990**	**4.500**	**1.000**	**0.500**

- The Council's Flexible Use of Capital Receipts Policy is available here: Flexible Use of Capital Receipts Policy

Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved.

Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

Borrowing strategy: The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.10%) and long-term fixed rate loans where the future cost is known but higher (currently 1.25 to 1.68%).

Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities, leases are shown below, compared with the capital financing requirement (see above).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	31.3.2021 actual	31.3.2022 forecast	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget
Debt (incl. PFI & leases)	129.586	138.004	155.376	182.726	224.049
Capital Financing Requirement	118.949	134.970	155.869	183.719	225.542

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term.

Affordable borrowing limit: The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2020/21 limit	2021/22 limit	2022/23 limit	2023/24 limit
Authorised limit - borrowing	£130	£230	£225	£220
Authorised limit - PFI and leases	£35	£35	£35	£35
Authorised limit - total external debt	£165	£265	£260	£255
Operational boundary - borrowing	£120	£215	£210	£205
Operational boundary - PFI and leases	£30	£30	£30	£30
Operational boundary - total external debt	£150	£245	£240	£235

- Further details on borrowing are in pages 11 to 15 of the treasury management strategy Treasury Management Strategy

Investment strategy: Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

- Further details on treasury investments are in pages 16 to 21 of the treasury management strategy - Treasury Management Strategy

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Head of Policy and Resources and staff, who must act in line with the treasury management strategy approved by Council. Half yearly reports on treasury management activity are presented to Audit and Governance Committee which is responsible for scrutinising treasury management decisions.

Investments for Service Purposes

The Council makes investments to assist local public services, including making loans to local service providers, businesses to promote economic growth, the Council's subsidiaries that provide services. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to generate a profit after all costs.

Governance: Decisions on service investments are made by the relevant service manager in consultation with the Head of policy and Resources and must meet the criteria and limits laid down in the investment strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

Liabilities

In addition to debt of £129.586m detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £58.366m). It has also set aside £1.6m to cover risks of provisions, this mainly relates to NNDR appeals, where the Council has estimated the costs arising from appeals by ratepayers. The Council did not have any contingent liabilities in 2020/21.

Governance: Decisions on incurring new discretional liabilities are taken by service managers in consultation with head of Policy and Resources. The risk of liabilities crystallising and requiring payment is monitored by finance.

- Further details on provisions (page 50), liabilities and guarantees are on page 65 of the 2020/21 statement of accounts - Statement of Accounts

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
Financing costs (£m)	0.870	2.035	2.301	2.350	2.377
Proportion of net revenue stream	14.64%	28.02%	28.76%	29.28%	29.34%

- Further details on the revenue implications of capital expenditure are noted within the 2022/23 revenue budget - Money Plan

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Head of Policy and Resources is satisfied that the proposed capital programme is prudent, affordable and sustainable.

Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Director of Policy and Resources is a qualified accountant with 25 years' experience, the Financial Services and Accountancy Managers are both qualified accountants with 15 and 25 years' experience. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA, ACT (treasury) and CIMA.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Link Group as treasury management advisers, the Council employs property consultants on a case by case basis. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Gloucester City Council

Meeting:	**Cabinet** **Council**	**Date:**	**9 March 2022** **24 March 2022**
Subject:	**Treasury Management Strategy 2022/23**		
Report Of:	**Cabinet Member for Performance and Resources**		
Wards Affected:	**All**		
Key Decision:	**No**	**Budget/Policy Framework:**	**Yes**
Contact Officer:	**Jon Topping, Director of Policy and Resources**		
	Email: jon.topping@gloucester.gov.uk	**Tel: 396242**	
Appendices:	**1. Treasury Management Strategy 2022/23**		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To formally recommend that Council approves the attached Treasury Management Strategy, the prudential indicators and note the Treasury activities.

2.0 Recommendations

2.1 Cabinet is asked to **RECOMMEND** that the Treasury Management Strategy be approved.

2.2 Council is asked to **RESOLVE** that:

(1) the Treasury Management Strategy at Appendix 1 be approved;

(2) the authorised borrowing limit be approved at:-
  a) 2022/23 £265m
  b) 2023/24 £260m
  c) 2024/25 £255m

(3) the prudential indicators set out in section two of the strategy be approved.

3.0 Background and Key Issues

3.1 Recent property acquisitions within Gloucester and continued regeneration of the City, the Councils borrowing requirements have increased. These long term investments and projects will significantly change the treasury position of the Council over the life of the investments, creating investable cashflow streams.

3.2 The Council has continued to support partners to further its strategic objectives. In 2021-22, the Council arranged additional funding to Ladybellgate Estates to facilitate the redevelopment of the Food Dock. The Council will continue to look at these social investments as a delivery mechanism to support its wider strategic objectives.

3.3 The 2022/23 treasury management strategy recommends to continue operating within an under-borrowing position. This position reflects that the Council uses internal resources, such as reserves, to fund the borrowing need rather than invest those funds for a return. This strategy is sensible, at this point in time, for two reasons. Firstly, the lost interest on those funds is significantly less than the costs of borrowing money for the capital programme. In addition, using the resources to reduce debt the Council will reduce exposure to investment counterparty risk.

3.4 There will be cash flow balances that will be invested for short periods within the year. Section 4 of the strategy outlines the Annual Investment Strategy; in particular it outlines the creditworthiness policy through the use of credit ratings.

3.5 The borrowing strategy is to utilise investments to reduce short term borrowing. Once investments have been applied it is anticipated that the majority of new debt will be short term as the current market rates are attractive. Where the capital programme, or investment strategy, requires the creation of long-term investment need then some long term borrowing is likely to be undertaken to take advantage of low rates and mitigate the risk presented by having all borrowing on short-term deals.

3.6 The strategy allows flexibility for either debt rescheduling or new long term fixed rate borrowing while allowing the Council to benefit from lower interest rates on temporary borrowing at the current time.

3.7 The strategy also includes the minimum revenue provision (MRP) policy statement. This policy continues with the practice approved last year. MRP is the revenue charge to reduce debt by placing a charge on the General Fund each year. The preferred option is to provide for the borrowing need created over the approximate life of the asset purchased. This is achieved with an annuity calculation which provides a consistent overall annual borrowing charge with the level of principal (MRP) increasing each year, much like a repayment mortgage.

4.0 Alternative Options Considered

4.1 The following option has been considered:

There remains the option to replace existing short term borrowing with longer term options, this is not as attractive due to the availability of short term funding which remains significantly below rates available for longer term funds.

5.0 Reasons for Recommendations

5.1 As outlined in the legal implications the recommendations require Council approval. The Treasury and Investment Strategies recommended provide the best platform for financing the long-term capital programme and managing daily cash flow whilst protecting Council funds.

6.0 Future Work and Conclusions

6.1 The Treasury Management Strategy provides a logical basis to fund the Council's capital financing requirement and long-term Capital Programme. The Council will continue to monitor the strategy and is prepared to adapt this strategy if there is changes within the markets.

7.0 Financial Implications

7.1 The expenditure and income arising from treasury management activities are included within the Council Money Plan.

8.0 Social Value Considerations

8.1 This report notes the Treasury Strategy of the Council. ESG requirements are covered within the Prudential Code.

9.0 Legal Implications

9.1 The Council is required to have a Treasury Management Strategy to meet the requirements of the Local Government Act 2003, the CIPFA Prudential Code, DLUHC Minimum Revenue Provision Guidance, the CIPFA Treasury Management Code and DLUHC Investment Guidance.

10.0 Risk & Opportunity Management Implications

10.1 There is a risk that short term and long term interest rates could increase and this will be monitored both in-house and by the Council Treasury Management Advisor, Link Asset Services. In this event the risk will be managed through the opportunities either to reschedule debt or new long term fixed rate borrowing in place of short term borrowing.

10.2 The risk of deposits not being returned by the counterparty is minimised by only investing short term cash flow monies with counterparties on the approved lending list. All counterparties on this list meet minimum credit rating criteria, ensuring the risk is kept extremely low although not eliminated.

11.0 People Impact Assessment (PIA):

11.1 A PIA screening assessment has been undertaken and the impact is neutral. A full PIA is not required.

12.0 Other Corporate Implications

Community Safety

12.1 None

Sustainability

12.2 None

Staffing & Trade Union

12.3 None

Background Documents: Local Government Act 2003
CIPFA Treasury Management Code
CIPFA Prudential Code
DLUHC MRP Guidance

Appendix 1

Treasury Management Strategy 2022/23

1. Introduction

2021 revised CIPFA Treasury Management Code and Prudential Code – changes which will impact on future TMSS/AIS reports and the risk management framework

CIPFA published the revised codes on 20th December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. This Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

The revised codes will have the following implications:

- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;

- clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;

- address ESG issues within the Capital Strategy;

- require implementation of a policy to review commercial property, with a view to divest where appropriate;

- create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);

- ensure that any long term treasury investment is supported by a business model;

- a requirement to effectively manage liquidity and longer term cash flow requirements;

- amendment to TMP1 to address ESG policy within the treasury management risk framework;

- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;

- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

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

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.

As this Treasury Management Strategy Statement and Annual Investment Strategy deals soley with treasury management investments, the categories of service delivery and commercial investments will be dealt with as part of the Capital Strategy report.

1.1 Background

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

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

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

CIPFA defines treasury management as:

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

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

1.2 Reporting requirements

1.2.1 Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

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

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

1.2.2 Treasury Management reporting

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report is forward looking and covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid-year treasury management report – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

An annual treasury report – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny
The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken at Gloucester by the Audit and Governance Committee.

1.3 Treasury Management Strategy for 2022/23

The strategy for 2022/23 covers two main areas:

Capital issues

- the capital plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues

- the current treasury position;

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

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

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Finance training for members, including Treasury Management, featured in the member development programme during 2021/22

The training needs of treasury management officers are periodically reviewed and staff have attended training and seminars during 2021/22 and will continue to do so in the upcoming year.

1.5 Treasury management consultants

The Council uses Link Group, Treasury solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties. The commercial type investments require specialist advisers, and the Council uses such advisors on a case by case basis in relation to this activity.

2 THE CAPITAL PRUDENTIAL INDICATORS 2022/23 – 2024/25

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

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts.

Capital expenditure £m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Policy & Resources	2.715	3.707	3.395	0.150	0.195
Place	3.329	13.416	23.106	31.886	44.000
Communities	1.299	6.786	1.036	0.754	0.754
Culture & Trading	0.000	0.000	0.000	0.000	0.000
Total	**7.343**	**23.909**	**27.537**	**32.790**	**44.949**

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

Financing of capital expenditure £m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Capital receipts	0.467	2.000	0.444	0.330	0.275
Capital grants	4.935	3.853	3.893	2.260	0.474
Capital reserves	0.000	0.000	0.000	0.000	0.000
Revenue	0.500	0.000	0.000	0.000	0.000
Net borrowing need for the year	**1.441**	**18.056**	**23.200**	**30.200**	**44.200**

2.2 The Council's borrowing need (the Capital Financing Requirement)

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

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI, PPP lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has £21.42m of such schemes within the CFR.

The Council is asked to approve the CFR projections below:

£m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Capital Financing Requirement					
Total CFR	**118.949**	**134.970**	**155.869**	**183.719**	**225.542**
Movement in CFR	**0.571**	**16.021**	**20.899**	**27.850**	**41.823**

Movement in CFR represented by					
Net financing need for the year (above)	1.441	18.056	23.200	30.200	44.200
Less MRP/VRP and other financing movements	(0.870)	(2.035)	(2.301)	(2.350)	(2.377)
Movement in CFR	**0.571**	**16.021**	**20.899**	**27.850)**	**41.823**

2.3 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources £m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Fund balances / reserves	1.682	1.805	1.805	1.762	1.827
Capital receipts	0.236	0.990	4.500	1.000	0.500
Provisions	1.610	1.500	1.500	1.500	1.500
Other (Grants)	3.880	2.000	2.000	2.000	2.000
Total core funds	**7.408**	**6.295**	**9.805**	**6.262**	**5.827**
Working capital*	(2.873)	(4.000)	(4.000)	(4.000)	(4.000)
Under/over borrowing**	10.637	3.337	(0.493)	(0.993)	(1.493)
Expected investments	**15.172**	**5.632**	**5.312**	**1.269**	**0.334**

*Working capital balances shown are estimated year-end; these will vary in year

2.4 Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

DLUHC regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement*):*

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Existing practice** - MRP will follow the existing practice outlined in former DLUHC regulations (option 1) This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing (including finance leases) the MRP policy will be

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations

These options provide for a reduction in the borrowing need over approximately the asset's life.

Repayments included in finance leases and loan principal are applied as MRP.

MRP Overpayments - A change introduced by the revised DLUHC MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2021 the total VRP overpayments were £1.359m.

3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2021 with forward projections, is summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
External Debt					
Debt at 1 April	101.229	108.150	112.738	132.847	159.918
Expected change in Debt	6.921	8.418	20.609	27.571	41.562
Other long-term liabilities (OLTL)	*21.12*	*21.436*	*21.739*	*22.029*	*22.308*
Expected change in OLTL	*0.316*	*0.303*	*0.290*	*0.279*	*0.261*
Actual gross debt at 31 March	**129.586**	**138.004**	**155.376**	**182.726**	**224.049**
The Capital Financing Requirement	**118.949**	**134.970**	**155.869**	**183.719**	**225.542**
Under / (over) borrowing	**(10.637)**	**(3.337)**	**0.493**	**0.993**	**1.493**

The Council was over borrowed at 31/3/21 as a result of securing long term borrowing while still holding temporary borrowing. Securing long term borrowing at preferential rates ensures long term stability to the Council's borrowing portfolio. The Council is forecast to be over borrowed at 31/1/22, which relates to the pension prepayment of secondary contributions. The prepayment was beneficial in reducing ongoing pension contributions, the Council is forecast to return to an under borrowed position in 22/23.

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

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

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary £m	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Debt	120	215	210	205
Other long term liabilities	30	30	30	30
Total	155	245	240	235

The authorised limit for external debt. 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.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit:

Authorised limit £m	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Debt	130	230	225	220
Other long term liabilities	35	35	35	35
Total	165	265	260	255

3.3 Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 20th December 2021. These are forecasts for certainty rates, gilt yields plus 80 bps:

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

Additional notes by Link on this forecast table: -

- *LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In* *the meantime, our forecasts are based on expected average earnings by local authorities for 3 to 12 months.*

- *Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.*

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

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

Significant risks to the forecasts

- **Mutations** of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, or cannot be administered fast enough to prevent further lockdowns. 25% of the population not being vaccinated is also a significant risk to the NHS being overwhelmed and lockdowns being the only remaining option.

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity.

- **The Monetary Policy Committee** acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

- **The Monetary Policy Committee** tightens monetary policy too late to ward off building inflationary pressures.

- **The Government** acts too quickly to cut expenditure to balance the national budget.

- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

- **Longer term US treasury yields** rise strongly and pull gilt yields up higher than forecast.

- **Major stock markets** e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the "moral hazard" risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.

- **Geopolitical risks,** for example in Ukraine, Iran, North Korea, but also in Europe and Middle Eastern countries; on-going global power influence struggles between Russia/China/US. These could lead to increasing safe-haven flows.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is now to the downside, including risks from Covid and its variants - both domestically and their potential effects worldwide.

Forecasts for Bank Rate
It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%. The forecast includes four increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%. However, it is likely that these forecasts will need changing within a relatively short timeframe for the following reasons: -

- We do not know how severe an impact Omicron could have on the economy and whether there will be another lockdown or similar and, if there is, whether there would be significant fiscal support from the Government for businesses and jobs.

- There were already increasing grounds for viewing the economic recovery as running out of steam during the autumn and now into the winter. And then along came Omicron to pose a significant downside threat to economic activity. This could lead into stagflation, or even into recession, which would then pose a dilemma for the MPC as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.

- Will some current key supply shortages spill over into causing economic activity in some sectors to take a significant hit?

- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation.

- On the other hand, consumers are sitting on over £160bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?

- It looks as if the economy coped well with the end of furlough on 30th September. It is estimated that there were around 1 million people who came off furlough then and there was not a huge spike up in unemployment. The other side of the coin is that vacancies have been hitting record levels so there is a continuing acute shortage of workers. This is a potential danger area if this shortage drives up wages which then feed through into producer prices and the prices of services i.e., a second-round effect that the MPC would have to act against if it looked like gaining significant momentum.

- We also recognise there could be further nasty surprises on the Covid front beyond the Omicron mutation.

- If the UK invokes article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland, this has the potential to end up in a no-deal Brexit.

In summary, with the high level of uncertainty prevailing on several different fronts, we expect to have to revise our forecasts again - in line with whatever the new news is.

It should also be borne in mind that Bank Rate being cut to 0.25% and then to 0.10%, were emergency measures to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away such emergency cuts on no other grounds than they are no longer warranted, and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

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

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

US treasury yields. During the first part of 2021, US President Biden's, and the Democratic party's, determination to push through a $1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the $900bn support package already passed in December 2020. This was then followed by additional Democratic ambition to spend $1trn on infrastructure, (which was eventually passed by both houses later in 2021), and an even larger sum on an American families plan over the next decade; this is still caught up in Democrat / Republican haggling. Financial markets were alarmed that all this stimulus was happening at a time when: -

1. A fast vaccination programme had enabled a rapid opening up of the economy during 2021.
2. The economy was growing strongly during the first half of 2021 although it has weakened overall during the second half.
3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries.
4. And the Fed was still providing substantial stimulus through monthly QE purchases during 2021.

It was not much of a surprise that a combination of these factors would eventually cause an excess of demand in the economy which generated strong inflationary pressures. This has eventually been recognised by the Fed at its December meeting with an aggressive response to damp inflation down during 2022 and 2023.

At its 3rd November Fed meeting, the Fed decided to make a start on tapering its $120bn per month of QE purchases so that they ended next June. However, at its **15th December meeting** it doubled the pace of tapering so that they will end all purchases in February. These purchases are currently acting as downward pressure on treasury yields and so it would be expected that Treasury yields will rise over the taper period and after the taper ends, all other things being equal. The Fed also forecast that it expected there would be three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy.

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

There is likely to be **exceptional volatility and unpredictability in respect of gilt yields and PWLB rates** due to the following factors: -

- How strongly will changes in gilt yields be correlated to changes in US treasury yields (see below). Over 10 years since 2011 there has been an average 75% correlation between movements in US treasury yields and gilt yields. However, from time to time these two yields can diverge. Lack of spare economic capacity and rising inflationary pressures are viewed as being much greater dangers in the US than in the UK. This could mean that central bank rates will end up rising earlier and higher in the US than in the UK if inflationary pressures were to escalate; the consequent increases in treasury yields could well spill over to cause (lesser) increases in gilt yields. There is, therefore, an upside risk to forecasts for gilt yields due to this correlation. The Link Group forecasts have included a risk of a 75% correlation between the two yields.
- Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong will inflationary pressures actually turn out to be in both the US and the UK and so put upward pressure on treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the "taper tantrums" in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

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

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

The balance of risks to medium to long term PWLB rates: -

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

A new era for local authority investing
– a fundamental shift in central bank monetary policy

One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on 'achieving broad and inclusive "maximum" employment in its entirety' in the US, before consideration would be given to increasing rates.

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be 'sustainably over 2%' before starting on raising Bank Rate and the ECB now has a similar policy.
- ***For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.***
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.
- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

Investment and borrowing rates

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

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

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

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

- **Borrowing for capital expenditure.** Our long-term (beyond 10 years), forecast for Bank Rate is 2.00%. As some PWLB certainty rates are currently below 2.00%, there remains value in considering long-term borrowing from the PWLB where appropriate. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio.

- While this authority will not be able to avoid borrowing to finance new capital expenditure or to replace maturing debt, there will be a *cost of carry*, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances.

3.4 Borrowing strategy

The Council aims to maintain an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Director of Policy and Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast,* perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

3.5 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Debt rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of PWLB rates over gilt yields was reduced by 100 bps in November 2020.

All rescheduling will be reported to Cabinet at the earliest meeting following its action. The Council has recently taken long term loans and there is no current rescheduling planned.

3.7 New financial institutions as a source of borrowing and / or types of borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate).

- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).
- Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time).

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

3.8 Approved Sources of Long and Short term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance leases	●	●

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy

The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

The Council's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite.

The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

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

4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 5.4 under the categories of 'specified' and 'non-specified' investments.

    - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
    - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.

6. **Transaction limits** are set for each type of investment in 4.2.

7. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 4.4).

8. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).

9. This authority has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

10. All investments will be denominated in **sterling**.

11. As a result of the change in accounting standards for 2022/23 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23.

However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year.
The above criteria are unchanged from last year

4.2 Creditworthiness policy

This Council applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- "watches" and "outlooks" from credit rating agencies;
- CDS spreads that may give early warning of changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, and any assigned Watches and Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will, therefore, use counterparties within the following durational bands*:*

- Yellow 5 years *
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25

- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

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

Typically, the minimum credit ratings criteria the Council use will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

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

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

	Colour (and long term rating where applicable)	**Money and/or % Limit**	**Time Limit**
Banks *	**yellow**	**£10m**	**5yrs**
Banks	**purple**	**£10m**	**2 yrs**
Banks	**orange**	**£10m**	**1 yr**
Banks – part nationalised	**blue**	**£10m**	**1 yr**

Banks	red	£10m	6 mths
Banks	green	£10m	100 days
Banks	No colour	Not to be used	
Limit 3 category – Council's banker (where "No Colour")	Barclays Bank	100 %	1 day
Other institutions limit	A-	£10m	6 months
DMADF	UK sovereign rating	unlimited	6 months
Local authorities	n/a	100%	1yrs
	Fund rating	Money and/or % Limit	Time Limit
Money Market Funds CNAV	AAA	£10m	liquid
Money Market Funds LVNAV	AAA	£10m	liquid
Money Market Funds VNAV	AAA	£10m	liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	Dark pink / AAA	£10m	liquid
Ultra-Short Dated Bond Funds with a credit score of 1.50	Light pink / AAA	£10m	liquid

Creditworthiness.

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

CDS prices

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

4.3 County limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch or equivalent. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 6.4. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

4.4 Investment strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.

- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations.
The current forecast shown in paragraph 3.3, includes a forecast for a first increase in Bank Rate in May 2022, though it could come in February..

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year, (based on a first increase in Bank Rate in quarter 2 of 2022), are as follows.:

Average earnings in each year	Now	Previously
2022/23	0.50%	0.50%
2023/24	0.75%	0.75%
2024/25	1.00%	1.00%
2025/26	1.25%	1.25%
Long term later years	2.00%	2.00%

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits, in order to benefit from the compounding of interest.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the following treasury indicator and limit:

Maximum principal sums invested over 365 days			
£m	**2022/23**	**2023/24**	**2024/25**
Principal sums invested over 365 days	£30m	£30m	£30m

4.5 Investment risk benchmarking

These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or Annual Report.
Security - The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- **5% historic risk of default when compared to the whole portfolio.**

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

- Bank overdraft - £0m
- Liquid short term deposits of at least £5m available with a week's notice.
- Weighted average life benchmark is expected to be 25 years, with a maximum of 40 years.

Yield - local measures of yield benchmarks are:

- Investments – internal returns above the 7 day SONIA rate
- Investments – external fund managers - returns 110% above 7 day compounded SONIA.

And in addition that the security benchmark for each individual year is:

	1 year	2 years	3 years	4 years	5 years
Maximum	**5%**	**5%**	**5%**	**5%**	**5%**

Note: This benchmark is an average risk of default measure, and would not constitute an expectation of loss against a particular investment.

4.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

5.1 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2022/23 – 2024/25

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

5.1.1 Capital expenditure

Capital expenditure £m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Policy & Resources	2.715	3.707	3.395	0.150	0.195
Place	3.329	13.416	23.106	31.886	44.000
Communities	1.299	6.786	1.036	0.754	0.754
Culture & Trading	0.000	0.000	0.000	0.000	0.000
Total	**7.343**	**23.909**	**27.537**	**32.790**	**44.949**

5.1.2 Affordability prudential indicators

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

a. Ratio of financing costs to net revenue stream

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

%	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	14.64%	**28.02%**	**28.76%**	**29.28%**	**29.34%**

The estimates of financing costs include current commitments and the proposals in this budget report.

The current figures are largely the result of the Kings Walk investment, rental payments for the King's Walk lease are counted as financing expenditure as they pay off the lease liability included within the CFR. Rental payments received from retailers within Kings Walk will cover these financing costs.

The increases from 2021/22 are related to sums borrowed for the regeneration of the City including Kings Square and Kings Quarter – The Forum.

5.1.3 Maturity structure of borrowing

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

The Council is asked to approve the following treasury indicators and limits:

Maturity structure of fixed and variable interest rate borrowing 2022/23		
	Lower	**Upper**
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%

10 years and above	0%	100%

5.1.4. Control of interest rate exposure

Please see paragraphs 3.3, 3.4 and 4.4.

6 APPENDICES

1. Interest rate forecasts
2. Economic background
3. Treasury management practice 1 – credit and counterparty risk management (option 1)
4. Approved countries for investments
5. Treasury management scheme of delegation
6. The treasury management role of the section 151 officer

6.1 INTEREST RATE FORECASTS 2021 – 2025

PWLB forecasts shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Link Group Interest Ra 20.12.21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Bank Rate													
Link	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
Capital Economics	0.50	0.75	0.75	1.00	1.25	1.25	1.25	1.25	-	-	-	-	-
5yr PWLB Rate													
Link	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
Capital Economics	1.80	1.90	2.10	2.20	2.20	2.30	2.40	2.40	-	-	-	-	-
10yr PWLB Rate													
Link	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
Capital Economics	2.00	2.10	2.20	2.30	2.30	2.40	2.50	2.50	-	-	-	-	-
25yr PWLB Rate													
Link	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
Capital Economics	2.20	2.30	2.50	2.70	2.70	2.70	2.80	2.90	-	-	-	-	-
50yr PWLB Rate													
Link	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Capital Economics	1.90	2.00	2.20	2.40	2.50	2.60	2.70	2.90	-	-	-	-	-

6.2 ECONOMIC BACKGROUND

COVID-19 vaccines.

These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working, similar to the pingdemic in July. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid. However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.
- With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.
- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.
- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- Covid remains a major potential downside threat in all three years as we ARE likely to get further mutations.
- How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under QE ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

MPC MEETING 16H DECEMBER 2021

- The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.

- The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30th September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.

- **On 10th December we learnt of the disappointing 0.1% m/m rise in GDP** in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.

- **On 14th December, the labour market statistics** for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.

- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.

- **On 15th December we had the CPI inflation** figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).

- **Other elements of inflation are also transitory** e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.

- Although it is possible that the Government could step in with some **fiscal support for the economy**, the huge cost of such support to date is likely to pose a barrier to incurring further major economy wide expenditure unless it is very limited and targeted on narrow sectors like hospitality, (as announced just before Christmas). The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!

- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a **surprise increase in Bank Rate from 0.10% to 0.25%.** What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC commented that "there has been significant upside news" and that "there were some signs of greater persistence in domestic costs and price pressures".

- On the other hand, it did also comment that **"the Omicron variant is likely to weigh on near-term activity".** But it stressed that at the November meeting it had said it would raise rates if the economy evolved as it expected and that now "these conditions had been met". It also appeared more worried about the possible boost to inflation form Omicron itself. It said that "the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation". It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning "global price pressures might persist for longer". (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)

- On top of that, there were no references this month to inflation being expected to be below the **2% target in two years' time,** which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.

- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only **a "modest tightening"** in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. "Modest" seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.

- In as much as a considerable part of the inflationary pressures at the current time are indeed **transitory,** and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.

- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November's statement that Bank Rate would be raised "in the coming months". That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3rd February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).

- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -

- Raising Bank Rate as “the active instrument in most circumstances”.
- Raising Bank Rate to 0.50% before starting on reducing its holdings.
- Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
- Once Bank Rate had risen to at least 1%, it would start selling its holdings.

- **US.** Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, **CPI inflation hit a near 40-year record level of 6.8%** but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decades high.
- **Shortages of labour** have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed’s 2% central target.
- Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the **Fed’s meeting of 15th December** would take aggressive action against inflation. Accordingly, the rate of tapering of monthly $120bn QE purchases announced at its November 3rd meeting. was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – “maximum employment”. The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was also significant was that this month the Fed dropped its description of the current level of inflation as being “transitory” and instead referred to “elevated levels” of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent “for some time”. It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.
  See also comments in paragraph 3.3 under PWLB rates and gilt yields.

- **EU.** The slow role out of vaccines initially delayed **economic recovery** in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.
- **November’s inflation figures** breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to *persistently* higher services inflation - which would get the ECB

concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB's target of 2% and it is likely to average 3% in 2022, in line with the ECB's latest projection.

- **ECB tapering.** The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB's target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.
- The ECB will now also need to consider the impact of **Omicron** on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.
- The EU has entered into a **period of political uncertainty** where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.

- **CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.
- However, the pace of economic growth has now fallen back in **2021** after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The **People's Bank of China** made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.
- Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

- **JAPAN.** 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.
- The Bank of Japan is continuing its **very loose monetary policy** but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.

- **WORLD GROWTH.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is likely that we are heading into a period where there will be a **reversal of world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

- **SUPPLY SHORTAGES**. The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

6.3 TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT OPTION 1

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable.

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria. A maximum of 100% will be held in aggregate in non-specified investment

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum credit criteria / colour band	**** Max % of total investments/ £ limit per institution**	**Max. maturity period**
DMADF – UK Government	N/A	**100%**	**6 months**
UK Government gilts	UK sovereign rating	50%	12 months
UK Government Treasury bills	UK sovereign rating	50%	12 months
Bonds issued by multilateral development banks	AAA (or state your criteria if different)	50%	6 months
Money Market Funds (CNAV, LNAV and VNAV)	AAA	100%	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	100%	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	100%	Liquid
Local authorities	N/A	100%	12 months
Gloucestershire Airport	N/A	£7.25m	
Rokeby Merchant	N/A	£0.6m	
Ladybellegate Estates	N/A	£1.8m	
Gloucestershire Wildlife Trust	N/A	£0.55m	

Cheltenham YMCA	N/A	£1.5m	31 years
Term deposits with banks and building societies	Blue Orange Red Green No Colour	£10m £10m £10m £10m £0	12 months 12 months 6 months 100 days Not for use
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour	£1m £1m £1m £1m £0	12 months 12 months 6 months 100 days Not for use
Gilt funds	UK sovereign rating	Nil	
CCLA Property/DIF Funds		£15m	10 years

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

6.4 APPROVED COUNTRIES FOR INVESTMENTS

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

Based on lowest available rating

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- **U.K.**

6.5 TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Audit and Governance Committee

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Body/person(s) with responsibility for scrutiny

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

6.6 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

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

Gloucester City Council

Meeting:	Cabinet Council	Date:	9 March 2022 24 March 2022
Subject:	Pay Policy Statement 2022/23		
Report Of:	Cabinet Member for Performance and Resources		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Jon Topping, Director of Policy & Resources		
	Email: jon.topping@gloucester.gov.uk		Tel: 396242
Appendices:	1. Pay Policy Statement for 2022/23		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 The purpose of this report is to consider and approve the Council's Pay Policy Statement for 2022/23.

1.2 Section 38 of the Localism Act 2011 requires local authorities to produce an annual pay policy statement from 2012/13 onwards, which must be agreed annually by full council.

2.0 Recommendations

2.1 Cabinet is asked to **RECOMMEND** that the Pay Policy Statement for 2022/23 attached as Appendix 1 be approved.

2.2 Council is asked to **RESOLVE** that the Pay Policy Statement for 2022/23 attached as Appendix 1 be approved.

3.0 Background and Key Issues

3.1 The Council's proposed pay policy for 2022/23 is attached to this report. The statement has been developed in response to the requirements of the Localism Act 2011 and follows guidance which accompanied the Act.

4.0 Social Value Considerations

4.1 None

5.0 Environmental Implications

5.1 None

6.0 Alternative Options Considered

6.1 The council is required to produce the statement in accordance with the Localism Act 2011; there is no alternative option on this matter.

7.0 Reasons for Recommendations

7.1 To demonstrate transparency in publication of the Council's pay policy arrangements in accordance with the principles of the Localism Act.

8.0 Future Work and Conclusions

8.1 None.

9.0 Financial Implications

9.1 None.

(Financial Services have been consulted in the preparation this report.)

10.0 Legal Implications

10.1 Production of an annual pay policy statement is a requirement of the Localism Act 2011.

(One Legal have been consulted in the preparation this report.)

11.0 Risk & Opportunity Management Implications

11.1 The Council must have a current Pay Policy Statement in place in accordance with the legal requirements above.

12.0 People Impact Assessment (PIA) and Safeguarding:

12.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

13.0 Community Safety Implications

13.1 None

14.0 Staffing & Trade Union Implications

14.1 The policy will be shared with the Trade Unions at one of the routine monthly meetings

Background Documents: None

APPENDIX 1

Gloucester City Council

Pay Policy Statement 2022/23

Introduction and Purpose

Gloucester City Council employs approximately 238 staff which equates to 208.54 Full Time Equivalent staff (FTEs). Please note that this figure excludes casual and zero hours staff and is as at 1 January 2022. The provision of many of the Council's services is outsourced to the private or third sectors and some others are carried out by partner councils through shared service arrangements. Gloucester City Council remains responsible for these services. The Council's annual turnover is approximately £106m (gross expenditure as per Comprehensive Income and Expenditure Statement for 2020/21).

Under section 112 of the Local Government Act 1972, the Council has the "power to appoint officers on such reasonable terms and conditions as the authority thinks fit". This Pay Policy Statement (the 'statement') sets out the Council's approach to pay policy in accordance with the requirements of Section 38 of the Localism Act 2011. The purpose of the statement is to provide transparency with regard to the Council's approach to setting the pay of its employees by identifying:

- the methods by which salaries of all employees are determined;
- the detail and level of remuneration of its most senior staff i.e. 'Chief Officers', as defined by the relevant legislation.
- the arrangements for ensuring the provisions set out in this statement are applied consistently throughout the Council.

An original version of this policy statement was approved by the Council in 2012. This policy statement will come into immediate effect and will be subject to review on a minimum of an annual basis in accordance with the relevant legislation prevailing at that time.

Legislative Framework

In determining the pay and remuneration of all of its employees, the Council will comply with all relevant employment legislation. This includes the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, The Agency Workers Regulations 2010 and where relevant, the Transfer of Undertakings (Protection of Employment) Regulations 2006. With regard to the Equal Pay requirements contained within the Equality Act, the Council ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of equality proofed Job Evaluation mechanisms which directly relate salaries to the requirements, demands and responsibilities of the role.

Pay Structure

The Council's pay and grading structure comprises Grades A-H as 'Green Book' staff and 'Job Size 1 - 5' for posts as Chief Officer's roles. Director positions are paid at Job Size 5 (SMT1) with the Managing Director being paid at SMT2. Within each grade there are a number of salary / pay points. The Council uses a structure based around the nationally determined pay spine for grades A to H with all posts being evaluated under the HAY job evaluation scheme. For salary points above this, i.e. for Job Size 1 and above, grades are determined following evaluation under the HAY job evaluation scheme and are approved by the General Purposes Committee.

The Council's 'Green Book' Pay Structure (grades A-H) for 2021/22 is as set out in the table below.

Grade	Spinal Column Points		Pay Scale	
	From	To	Minimum £	Maximum £
A	1	3	17,842	18,562
B	4	5	18,933	19,312
C	6	8	19,698	20,493
D	10	14	21,322	23,080
E	16	20	24,012	25,991
F	21	25	26,511	29,577
G	26	29	30,451	32,910
H	31	35	34,728	38,890

The Chief Officer pay scale for 2021/22 is as set out below.

Grade	Job Size	Pay Scale	
		Minimum £	Maximum £
I	1	39,882	44,865
J	1	45,861	48,801
K	2	49,788	52,737
L	2	53,913	57,762
M	3	58,554	64,275
N	3	65,547	71,415
Job Size 4	4	74,115	81,915
Job Size 5 (SMT1)	5	87,708	96,939

The Council remains committed to adherence with national pay bargaining in respect of the national pay spine and any annual cost of living increases nationally determined in the pay spine.

Council posts are allocated to a grade within the Pay Structure based on the application of the Hay Job Evaluation scheme.

In determining its grading structure and setting remuneration levels for all posts, the Council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times at which those services are required.

In relation to progression within a post grade, with the exception of career grades which will usually require the achievement of some criterion before progression occurs, employees generally progress from the minimum spinal column point of their grade at April each year until they reach the maximum of their post grade. This is not the policy for posts at Chief Officer level (job size 1 and above), where progression within grades is subject to performance.

New appointments will normally be made at the minimum of the relevant grade, although this can be varied if necessary to secure the best candidate as per the Council's Starting Salary Policy. From time to time it may prove appropriate to take account of the external pay market such as where difficulties in attracting applicants or retaining employees with particular experience, skills and capacity occur. Where necessary, the Council will ensure the requirement for such market forces supplements is objectively justified by reference to clear and transparent evidence of relevant market comparators, using appropriate and timely data sources available from within and outside the local government sector.

Other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and/or as determined by Council Policy.

Pay Awards

The Council's policy is to apply any nationally negotiated pay awards to employees at all levels of the Council. This will cover conditions of service in respect of both NJC for Local Government Services (Green Book) and NJC for Chief Officers (Blue Book).

An exception to this will be where employees have transferred to the Council under the Transfer of Undertaking (Protection of Employment) Regulations 2006 ('TUPE'), retaining statutory protection of the pay and conditions that applied with their previous employer. Any post-transfer local government pay award in such circumstances will not be automatically applied, but will be considered on a case-by-case basis and with due regard to equal pay legislation, including the Public Sector Equality Duty.

Chief Officers' Remuneration

The term 'Chief Officer' as used in this policy refers to those defined as such within the Localism Act 2011. The Chief Officer posts covered by this policy are therefore the Chief Executive and those posts which report directly to the Chief Executive, and also the next management tier below (excluding any secretarial, clerical or administrative support roles), as set out in the Council's constitution.

All references to 'Chief Officers' in this policy statement are therefore in respect of the above definition (i.e. to be distinguished from the potentially wider group of senior staff employed by the Council in posts subject to National Joint Council (NJC) for Chief Officers national conditions of service (also known as the Blue Book) – where this wider group of staff are referred to elsewhere in this policy they are not therefore to be construed as 'Chief Officers' as defined under the Localism Act).

The Chief Officer posts falling within the statutory definition are set out below, with details of their basic full-time equivalent (FTE) salary as at 1 April 2022.

a) Managing Director

The current salary of the post is £122,949 per annum.

In addition to this, payments for returning officer duties are made to the Managing Director. For local elections (Parish, District and County) this remains in accordance with the scale of fees agreed by all authorities in Gloucestershire. Fees for Parliamentary, European and national referenda are set nationally.

b) Directors

The salaries of posts designated as Directors fall within a range between £87,708 rising to a maximum of £96,939. Progression through the range is subject to performance.

Management Posts currently members of the Senior Management Team also defined as 'Chief Officers' for pay policy purposes:

c) Heads of Place and Culture

The salaries of the posts are designated "Head of" are job size 4 and fall within the range of £74,115 to £81,915. Progression through the range is subject to performance.

Other Management posts reporting to the Senior Management Team

The salaries of posts reporting to the Senior Management Team include posts at job size 1 (grades I to J SCP 42-51) and upwards. Progression through grades at Chief Officer level (job size 1 to job size 5) is not automatic and is based on performance.

Recruitment of Chief Officers

The Council's policy and procedures with regard to recruitment of Directors and Statutory Officers is set out within part 5 - section 10 and part 2 Article 8 of the Council's Constitution.

When recruiting to all posts the Council will take full and proper account of its own Equal Opportunities, Vacancy Management and Redeployment Policies. The determination of the remuneration to be offered to any newly appointed Chief Officer will be in accordance with the Pay Structure and relevant policies in place at the time of recruitment in addition to external market advice and the HAY job evaluation process. Where the Council is unable to recruit to a post at the designated grade, it will consider the use of temporary market forces supplements in accordance with its relevant policies.

Where the Council remains unable to recruit Chief Officers under a contract of service, or there is a need for interim support to provide cover for a vacant substantive Chief Officer post, the Council will, where necessary, consider and utilise engaging individuals under 'contracts for service'. These will be sourced through a relevant procurement process ensuring the Council is able to demonstrate the maximum value for money and the benefits from competition in securing the relevant service. The Council does not currently have any Chief Officers engaged under such arrangements.

Interim appointments

For these purposes an ‘interim’ appointment will be an engagement other than through a regular contract of employment on standard Council terms and conditions of service (e.g. engagement through an agency or consultancy arrangement).

The Council is conscious of the need to secure value for money in the contractual arrangements for all appointments, including the need to ensure no one is inappropriately enabled to achieve a more favourable position in respect of their tax liabilities (‘tax avoidance’) than might otherwise apply. The Council will therefore have proper regard to this principle in applying the HMRC test for tax status under the IR35 tax provisions for ‘off-payroll’ engagements.

Additions to Salaries of Chief Officers

In addition to basic salary, set out below are details of other elements of current ‘additional pay’ provisions which are chargeable to UK Income Tax and do not solely constitute reimbursement of expenses incurred in the fulfilment of duties:

- Fees paid for returning officer duties where identified and paid separately (see above);
- Market forces supplements in addition to basic salary where identified and paid separately (see above);
- Professional subscriptions are not normally paid for any staff;
- Honoraria or ex-gratia payments may only be made to staff including Chief Officers for undertaking additional duties outside of their substantive role for which they receive an amount reflective of the duration and nature of the work they undertake. For Chief Officers, such payments are rare and will only be made in accordance with the Council’s relevant policy.

Subject to qualifying conditions, employees have a right to join the Local Government Pension Scheme.

The employee contribution rates are set nationally through the LGPS regulations whereas the employer contribution rates are set by Actuaries advising the Gloucestershire Pension Fund and are reviewed on a triennial basis in order to ensure the scheme is appropriately funded. The employer’s contribution rate for Gloucester City Council, set at the last triennial review, is 19.4%.

Payments on Termination

The Council’s approach to discretionary payments on termination of employment of Chief Officers, prior to reaching normal retirement age, is set out within its policy statement in accordance with Regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 and Regulations 12 and 13 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007.

Redundancy payments are based upon an employee's actual weekly salary and, in accordance with the approved policy, will be up to 60 weeks' pay, depending upon length of service and age.

Furthermore, the Council will not re-employ Chief Officers either directly or under a contract for service (e.g.: in a consulting or advisory capacity) who have previously been made redundant by the Council.

It is noted that, at the time of publication, the Government's position relating to the statutory restriction of public sector exit payments remains unclear. The Restriction of Public Sector Severance Payment Regulations 2020 that came into effect on 4th November 2020 were subsequently revoked on 12th February 2021. The stated reason for the revocation was that the regulations had resulted in 'unexpected consequences' in some cases. However, the Government has indicated work is proceeding at pace to introduce alternative arrangements to 'restrict excessive exit payments to public sector employees'. New legislation may therefore be introduced and apply to severance payments during 2022-23. Any resultant changes to the Council's severance payment arrangements would therefore be incorporated in next year's Pay Policy Statement.

Any other allowances arising from employment

The following allowances apply to all employees:

Payment for acting up or additional duties

Chief Officers are expected to be flexible in managing changing requirements. Therefore honoraria would only be paid in exceptional circumstances at this senior level.

In limited situations where an employee may be required to complete work of a higher graded post or undertake duties outside the scope of their role, the Council may consider a payment consistent with job evaluation principles. Any such payments are subject to review and are only for limited periods.

Unsocial hours payments

The Council does not make unsocial hours payments to Chief Officers

For other employees, the Council recognises that certain roles and services require employees to work unsocial hours or be available to work and therefore on standby. In these circumstances the Council has a policy to provide additional payments or time off in lieu for eligible employees.

Recruitment and retention allowances

Whilst the Council does not currently apply any recruitment or retention allowances it has the scope to locally agree such payments if necessary. The General Purposes Committee would agree any such payments for post above Job Size 4 and for all other employees the decision would be made by the Head of Paid Service.

Car and motor cycle allowances

Reimbursement of approved business mileage is made in accordance with the Council's locally agreed mileage rates. These rates, which mirror the HMRC mileage allowance payments, are reviewed annually.

Lowest Paid Employees

The Council has a commitment to pay no employee (excluding apprentices) less than scale point 3 of the 'Green Book' pay scale (£18,562 per annum, £9.62 per hour) and remains committed to paying above the foundation living wage rate.

Apprentices do not fall within the definition of 'lowest paid employees', as they are not part of the Council's approved staffing establishment and are employed under separate terms. In 2020, the Council increased the rate of pay for apprentices as follows:

- Level 2 Apprentices- £6.20 per hour
- Level 3 Apprentices- £7.70 per hour or National Minimum Wage if this is higher for their age

The relationship between the rate of pay for the lowest paid and Chief Officers is determined by the HAY job evaluation process used for determining pay and grading structures as set out earlier in this policy statement.

The relationship between the remuneration of Chief Officers and employees who are not Chief Officers

The Council does not have a policy on pay multiples but recognises that the Hutton Review of Fair Pay in the Public Sector recommends a maximum ratio of the highest remunerated post compared with the lowest remunerated post of 1: 20.

In accordance with the Local Government Transparency Code (2014), the Council uses the principle of pay multiples to provide a wider understanding of the relationship between its highest and lowest paid employees. It recommends the publication of the ratio between highest paid salary and the median average salary of the whole of the Council's workforce.

The multiples are as follows*:

	Annual salary FTE	**Multiplier**
Highest paid taxable earnings	£122,949	N/A
Median earnings	£25,991	4.7
Lowest earnings	£18,562	6.6

* Data is accurate as of the 1 March 2021 (*to be updated following confirmation of the 2021-22 national pay awards*).

As part of its overall and ongoing monitoring of alignment with external pay markets - both within and outside the sector, the Council will use available benchmarking information as appropriate. This will include the pay multiples as set out above.

Publication

Upon approval by the full Council, this statement will be published on the Council's Website. In addition, for posts where the full time equivalent salary is at least £50,000, the Council's Annual Statement of Accounts will include a note on Officers Remuneration setting out the total amount of:

- Salary, fees or allowances paid to or receivable by the person in the current and previous year;
- Any bonuses so paid or receivable by the person in the current and previous year;
- Any sums payable by way of expenses allowance that are chargeable to UK income tax;
- Any compensation for loss of employment and any other payments connected with termination;
- Any benefits received that do not fall within the above.

In addition to this pay policy statement, the key roles and responsibilities and employment benefits for each of our Senior Management Team members will be available on the Council's website www.gloucester.gov.uk.

Accountability and Decision Making

In accordance with the Constitution of the Council, the General Purposes Committee has delegated powers to monitor employment legislation and ensure that personnel procedures and guidelines in respect of recruitment, grievance and discipline are in place and up to date. The committee is also responsible for the contractual terms and conditions of the Managing Director, the Corporate Directors and the Monitoring Officer.

Appointment of the Managing Director is made by full council. Appointments of Corporate Directors and the Monitoring Officer are made by a councillor level selection committee of the Appointments Committee. All other appointments are made at Corporate Director level, delegated where appropriate to Heads of Service and Service Managers.

Policy review

This policy will be reviewed no later than 31 March 2023 and thereafter on an annual basis.

The Council may amend the policy at any time with Full Council approval. If any amendments are made the revised version will be published on the Council's website.

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