Gloucester City Council

Wednesday, 15 March 2023

TO EACH MEMBER OF GLOUCESTER CITY COUNCIL

Dear Councillor

You are hereby summoned to attend a **MEETING OF THE COUNCIL** of the **CITY OF GLOUCESTER** to be held at the Civic Suite, North Warehouse, The Docks, Gloucester, GL1 2EP on **Thursday, 23rd March 2023** at **6.30 pm** for the purpose of transacting the following business:

AGENDA

1. **APOLOGIES**

   To receive any apologies for absence.

2. **MINUTES (Pages 11 - 22)**

   To approve as a correct record the minutes of the Council Meeting held on 23 February 2023.

3. **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.

4. **CALL OVER**

   (a) Call over (items 9-13) will be read out at the meeting and Members invited to reserve the items for discussion.

   (b) To approve the recommendations of those reports which have not been reserved for discussion.

5. **PUBLIC QUESTION TIME (15 MINUTES)**

The opportunity is given to members of the public to put questions to Cabinet Members or Committee Chairs. Questions mays provided that questions do not contravene the provisions set out Council Procedure Rules 10(2).

To ask a question at this meeting, please submit it to democratic.services@gloucester.gov.uk by 12 noon on Friday 17 March or telephone 01452 396203 for support.

6. **PETITIONS AND DEPUTATIONS (15 MINUTES)**

A period not exceeding three minutes is allowed for the presentation of a petition or deputation 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

7. **ANNOUNCEMENTS**

To receive announcements from:

a) The Mayor
b) Leader of the Council
c) Members of the Cabinet
d) Chairs of Committees
e) Head of Paid Service

8. **MEMBERS' QUESTION TIME**

a) Leader and Cabinet Members' Question Time (45 minutes)

Any member of the Council may ask the Leader of the Council or any Cabinet Member any question upon:

- Any matter relating to the Council's administration
- Any matter relating to any report of the Cabinet appearing on the Council's summons
- A matter coming within their portfolio of responsibilities

b) Questions to Chairs of Meetings (15 Minutes)

Questions and responses will be published at least 24 hours before the meeting. Supplementary questions will be put and answered during the meeting, subject to the relevant time limit.

ISSUES FOR DECISION BY COUNCIL

9. **TREASURY MANAGEMENT STRATEGY 2023-24 (Pages 23 - 58)**

To consider the report of the Cabinet Member for Performance and Resources concerning the Treasury Management Strategy 2023-24, the prudential indicators and note the Treasury activities.

10. **CAPITAL STRATEGY 2023-24 (Pages 59 - 70)**

To consider the report of the Cabinet Member for Performance and Resources seeking approval for the Capital Strategy 2023-24.

11. **PAY POLICY STATEMENT 2023-24 (Pages 71 - 80)**

To consider the report of the Cabinet Member for Performance and Resources seeking approval for the Council's Pay Policy Statement for 2023/24.

12. **CONTINUATION OF THE GLOUCESTERSHIRE ECONOMIC GROWTH JOINT COMMITTEE BEYOND 31 MARCH 2023 FOR A FURTHER TEMPORARY PERIOD (Pages 81 - 84)**

To consider the report of the Leader of the Council seeking approval to extend the operation of the Gloucestershire Economic Growth Joint Committee (GEGJC) beyond 31 March 2023 for a further temporary period.

13. **DESIGNATION OF INTERIM CHIEF FINANCE OFFICER (S151 OFFICER) (Pages 85 - 88)**

To consider the report of the Head of Paid Service concerning the appointment of an interim S151 Officer, in accordance with Section 151 of the Local Government Act 1972.

MOTIONS FROM MEMBERS

14. **NOTICES OF MOTION**

1. PROPOSED BY COUNCILLOR A. CHAMBERS

"Our city needs to be a safe haven for wildlife and ecology. I would like to propose that special 'swift bricks and bee bricks' to be incorporated in new developments across Gloucester City Council to help halt the decline of the distinctive birds and bees.

Approved by the RSPB, the bird boxes are designed to look like bricks, but feature a small hole where swifts can enter and build their nests.Swifts are urban birds which make their nests in rooftops or in old buildings, after flying over 6,000 miles from Africa in the spring. However, modern building methods, along with the demolition of old buildings, have reduced the swifts’ access to rooftops, resulting in a serious decline in numbers. Twenty years ago there were 150,000 pairs in Britain – now there are fewer than 90,000.

Although known as swift bricks, they can be used by a variety of other birds including sparrows, starlings, blue tits and great tits. This new initiative has the potential to halt the decline of swifts in the city, while also provide safe nesting places for many other types of small birds.

Other councils have adopted this around England and RSPB conservation officer Jack Thompson said: “This important planning condition for swifts will help provide more opportunities for nesting swifts and urban birds, supporting important sites, and build on the fantastic work being done to save our swifts.”

Bee bricks should also be installed for new build developments and should be incorporated in the external walls of new developments - one for each property.

This Council agrees to investigate the introduction of a planning condition that:

- Will see swift boxes and bee bricks incorporated in the vast majority of new developments in the city.
- Requires swift bricks and bee bricks to be incorporated in all new developments that are five metres high and above in Gloucester City.
- Requires a minimum of two swift bricks per dwelling and one bee brick per dwelling.
- Requires commercial developments to have a minimum of three boxes, or one per 50sqm of floor spaces. Ideally, swift and bee bricks should be placed under the eaves in groups of at least three.
- Should be attached to all planning permissions granted after 1 April 2024 for the City of Gloucester.

Members are asked to approve this motion and help our City to work closely with the RSPB who have come up with a simple scheme that will increase biodiversity, and encourage wildlife to thrive in our city. So please, don’t vote politically, vote for our nature, our birds and our bees to safe guarding our wildlife for generations to come.”

2. PROPOSED BY COUNCILLOR A. CHAMBERS

"Many young lives have been lost in our city as a result of KNIFE crime. I ask all members to vote in favour for our city leader and city managing director to write to the MP of Gloucester requesting them to put forward an argument to Parliament to change the law relating to knife crime and carrying knives. This would be a request for the requirement for a minimum prison sentence of 1 year imprisonment for carrying an illegal knife.

Currently the punishment for carrying a knife (as a first time offender) carries no minimum sentence and a maximum 1 year sentence. In order to counteract the rise of knife crime in our City, the law needs to be looked at and changed.

I therefore ask all members to use their votes to request this change to make our city and community safer for all. Using your vote could help save a young life in our city!"

3. PROPOSED BY COUNCILLOR A. CHAMBERS

*"*Gloucester City Council showed solidarity to Ukraine by raising a flag over the docks and I was proud to have seconded that motion. Now is the time for the city to do the same with Turkey & Syria.

A series of devastating earthquakes have hit southern Turkey (now known as Türkiye) and north-west Syria killing over 50,000 people and injuring many more.

The first deadly earthquake struck while people were inside their homes, asleep in their beds, with no warning signs. More than 54,000 buildings, including hospitals and schools, have been destroyed or damaged. People have been left without shelter in freezing winter conditions.

I ask that Gloucester City Council raises both the Turkish and Syrian flags for 30 days to show solidarity to both nations during this world disaster and their time of need.

Please members vote to support this motion to show the people of Turkey and Syria that we the people of Gloucester are in support and do care."

4. PROPOSED BY COUNCILLOR O'DONNELL

"We as independent Councillors note with concern the increase in homelessness and rough sleeping nationwide in recent years, and the profound impact that homelessness has on people's physical and mental wellbeing.

We recognise that two common reasons why members of the public may not give spare change to homeless people are a concern about how that money may be spent, and, due to the recent increase in use of contactless payment cards, often have less or no cash about their person.

We consider the BillyChip, a Ceramic token which can be purchased in cafes and later redeemed by a homeless person in exchange for a hot or cold drink and often food to be a simple, innovative and more secure way for members of the public to give financial support to homeless people, which many wish to do.

We recognise further that the BillyChip is already available in numerous outlets across Bristol, Bath and Oxford, is in the process of identifying and approaching potential venues in Gloucester, and is the subject of huge popular online support. We already have some venues that do the billy chip scheme, revive cafe, owned by Gloucester city mission, Seymour post office and the Seymour cafe. We wish to be part of this.

We would like Council to offer the BillyChip its full endorsement and commits to supporting the implementation of the chip here in Gloucester.

To achieve this, council needs to resolve to:

- collaborate with the BillyChip CIC on developing its profile in Gloucester.
- give the BillyChip CIC free use of its premises for the purposes of public information meetings.
- provide space on the Gloucester City Council website listing participating venues and other relevant information.
- ensure that all appropriate council-operated venues participate in the scheme.

5. PROPOSED BY COUNCILLOR O'DONNELL

"This Council asks the Cabinet Member for Planning and Housing Strategy to consider putting signs up mapping where the homeless shelters are. This will help more people to know where they are in our city as well as the warm spaces available, as many homeless people do not even know these warm spaces existed, hence they were staying in doorways trying to keep warm.

A simple sticker at a low cost could be stuck over the various street mapping signs around our city to help guide these vulnerable people to places of sanctuary.

This Council supports what is a very simple fix to help vulnerable people in our city find the help they need."

6. PROPOSED BY COUNCILLOR PULLEN

"The intimidation and abuse of councillors in person or otherwise undermines democracy, prevents councillors from representing the communities they serve, deters people from standing for election and undermines public life in democratic processes.

This council is concerned about the detrimental effect abuse and intimidation in public and political discourse can have on local democracy. The council must ensure that prevention, support and responses to such actions and behaviour should be in place to ensure councillors feel safe and able to represent their residents.

Furthermore, councillors should ensure that their own conduct and behaviour in carrying out council duties should be of the highest standard and not act in a way that is abusive or intimidating, whether that is during formal debate in council meetings or in other democratic activities.

Abusive and intimidating behaviour should not be normalised, accepted or tolerated.

This council therefore agrees to sign up to the Local Government Association's 'Debate Not Hate' campaign to raise public awareness of the role of councillors in their communities, encourage healthy debate and ensure the support to those in public life who face abuse or intimidation.

This council therefore resolves to:

- Write to Gloucester's MP encouraging him to support the campaign

- Write to the Government to ask them to work with the LGA to develop and implement a plan to address abuse and intimidation of politicians at every level.

- Ensure that Gloucester City Council has clear reporting mechanisms that councillors can use to monitor and record incidents of harassment, intimidation and abuse.

- Regularly review the support available to councillors in relation to abuse, intimidation and safety.

- Work with the police to make sure there are clear and joined up processes for reporting threats and concerns for the safety of councillors and their families and ensure there is a preventative approach to consider the risks councillors face, as they do with other high profile individuals like MP's.

- Take a zero tolerance approach to abuse of councillors and officers."

7. PROPOSED BY COUNCILLOR SAWYER

"This council notes that there has been an increase in the number of requests to erect 5G masts around the City of Gloucester, seriously impacting the look of the city. Residents in our wards mainly object because of the way they look.

This Council recognises that they do not need planning permission, but Gloucester City Council can have a say in the visual impact on our city.

Paragraph 115 of the National Planning Policy Framework states that "where new sites are required (such as for new 5G networks, or for connected transport and smart city applications), equipment should be sympathetically designed and camouflaged where appropriate"

The Department for Digital, Culture, Media and Sports' code of practice states that "early discussions with operators, local planning authorities and communities on the design of the masts should be encouraged". This has not happened.

The code of practice also states that "the Government's objective is to deliver high quality reliable infrastructure whilst ensuring the impact is kept to a minimum".

Policy G5 of the new City plan states "Development proposals for telecommunications infrastructure will be permitted where it can be demonstrated that the development is sympathetically designed and would not have an adverse impact upon the environment (including heritage assets, biodiversity, local amenity, the landscape and its setting). Where new sites are required (such as for new 5G networks, or for connected transport and smart city applications), equipment should be sympathetically designed and camouflaged where appropriate."

The designs of the 5G masts that have been approved to date are having a massive impact on the local street scene.

As officers and members, our duty is to protect the heritage of our city and these masts are not in keeping with the local architecture and open spaces. They will be here for a long time, so we need to act now.

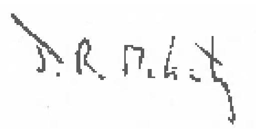
This council calls on the cabinet member for planning to:

- create a design code for these masts and to choose a style that blends in with the surroundings.

- include the cross-party members planning policy group and to consult with all residents in Gloucester during this process.

- review the way these new masts are promoted to residents. Putting a sign on a lamppost is not proving very effective."

Yours sincerely



Jon McGinty
Managing Director

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 –

<u>Interest</u>	<u>Prescribed description</u>
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.

Access to Information

Agendas and reports can be viewed on the Gloucester City Council website: www.gloucester.gov.uk and are available to view five working days prior to the meeting date.

For enquiries about Gloucester City Council’s meetings please contact Democratic Services, 01452 396126, democratic.services@gloucester.gov.uk.

If you, or someone you know cannot understand English and need help with this information, or if you would like a large print, Braille, or audio version of this information please call 01452 396396.

Recording of meetings

Please be aware that meetings may be recorded. There is no requirement for those wishing to record proceedings to notify the Council in advance; however, as a courtesy, anyone wishing to do so is advised to make the Mayor aware before the meeting starts.

Any recording must take place in such a way as to ensure that the view of Councillors, Officers, the Public and Press is not obstructed. The use of flash photography and/or additional lighting will not be allowed unless this has been discussed and agreed in advance of the meeting.

FIRE / EMERGENCY EVACUATION PROCEDURE

If the fire alarm sounds continuously, or if you are instructed to do so, you must leave the building by the nearest available exit. You will be directed to the nearest exit by council staff. It is vital that you follow their instructions:

- 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.

COUNCIL

MEETING : Thursday, 23rd February 2023

PRESENT : Cllrs. Hyman (Mayor), J. Brown (Sheriff & Deputy Mayor), Cook, Norman, S. Chambers, Lewis, Padilla, Hilton, Pullen, Gravells MBE, Tracey, Morgan, Wilson, Bhaimia, Williams, D. Brown, Taylor, Patel, Toleman, Brooker, Finnegan, Bowkett, Ackroyd, Castle, Chambers-Dubus, Conder, Dee, Durdey, Evans, Hudson, Kubaszczyk, Radley and Zaman

Others in Attendance

Managing Director
Monitoring Officer
Director Of Communities
Director of Policy and Resources
Head of Culture
Head of Place
Policy and Governance Manager
Democratic and Electoral Services Team Leader

APOLOGIES : Cllrs. Field, A. Chambers, O`Donnell and Sawyer

51. MINUTES

The minutes of the meeting held on 26 January 2023 were approved and signed as a correct record by the Mayor.

52. DECLARATIONS OF INTEREST

There were no declarations of interest.

53. CALL OVER

53.1 Agenda Items 8 (Final Budget Proposals) and 9 (Council Tax Setting 2022/23) could not be called over as each required a recorded vote in accordance with Regulation 2 of The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 and Council Procedure Rule 18.05.

53.2 Agenda item 10 was not reserved for discussion.

53.3 **RESOLVED that: -** Council note:

(1) That no changes be made to the allocation of seats on Committees at this time and a further review will take place following the Westgate by-election.

(2) Receive and note the following nominations to Committees as required by the proposed changes:

− Overview and Scrutiny Committee – 1 vacant seat (Conservative) Councillor Taylor.

− Licensing and Enforcement Committee – 1 vacant seat (Conservative) – Councillor Kubaszczyk.

− Planning Committee – 1 vacant seat (Conservative) – Councillor Campbell.

− Audit and Governance Committee – 1 vacant seat (Conservative) – Councillor Morgan.

(3) Note that Dawn Melvin will continue her term as the Council's representative on the Board of Gloucestershire Airport Limited.

(4) Note that Councillor Finnegan has been appointed to the vacant position on the Gloucestershire Police and Crime Panel.

54. PUBLIC QUESTION TIME (15 MINUTES)

There were no public questions.

55. PETITIONS AND DEPUTATIONS (15 MINUTES)

There were no petitions nor deputations.

56. ANNOUNCEMENTS

Leader of the Council

The Leader of the Council, Councillor Cook, reminded Members that a silent walk starting at the Mariner's Church in the Docks followed by a vigil would take place on Friday 24 February beginning at 4.45pm in order to mark one year since Russia's invasion of Ukraine.

Cabinet Member for Culture and Leisure

The Cabinet Member for Culture and Leisure, Councillor Lewis, informed Members that the Tree of Light had raised £7k and that £1.8k would be donated to the Mayor's charity – Pride in Gloucestershire.

57. MONEY PLAN 2023-28 & BUDGET PROPOSALS 2023-24

57.1 Councillor Cook moved the motion and thanked Cabinet colleagues, the finance team particularly the Director of Policy and Resources as s. 151 Officer and all Council staff for the work they would undertake in the coming year.

57.2 Councillor Cook noted that amendments had been tabled and informed Members that the administration would not be accepting them.

57.3 He outlined that 2022 has been a difficult year both financially and in the context of the cyber incident. The recent Peer Challenge panel said "Gloucester City Council has done remarkably well to continue to deliver its facilities and services following the cyber incident." Councillor Cook sought to assure Members that the administration was working very hard to ensure that the council emerges strongly from the difficulties we continue to face.

57.4 The outcome of the re-opening economy after Covid had seen shortages of labour and a surge in inflationary pressures. It had been difficult to replace staff and cost pressures made previous plans more difficult and more expensive to deliver. Reduced income from markets, car parking, Guildhall, Museum and our commercial investments had also been encountered.

57.5 Councillor Cook outlined some of the major achievements across portfolios during the past year.

The Property Investment strategy had enabled the Council to deliver on Council plan priorities. The acquisition of St Oswalds and the £2.2M brownfield remediation grant had enabled work to start on the large new mixed housing scheme which would include social and affordable homes. Exchange of contracts with Rooftop would be happening soon.

The High Street Heritage Action Zone received considerable praise for the work which had been conducted in the City.

57.6 A new exit from the car park onto Metz way at the railway station had been completed and work had started to make improvements to the underpass and other areas at the station.

The remaining development of the Barbican site had almost concluded. One of the new buildings had been occupied with the remainder expecting their new student intake in September 2023, which will bring in an additional 200 students assisting the vibrancy and footfall in the city centre.

57.7 Work on Kings Square was completed with an opening ceremony in early May 2022. Overlooking Kings Square, in Kings House, The Music Works and Jolt, the Headquarters of Gloucester Culture Trust were well placed to help deliver the cultural vibrancy of the Square. Adjacent in Kings Quarter, building of the new Tesco and 19 apartments had been completed. Grosvenor House has been demolished and construction work on the Forum itself has been underway for several months. Work at the former Debenhams building by the university has been continuing for several months with an anticipated date of January 2024 for the first intake of students, which themselves would add to the vibrancy of the city centre.

57.8 In other areas of the Council services, Councillor Cook commend Ubico and their staff who had seamlessly taken over the delivery of waste, recycling and grounds maintenance services from Urbaser. The huge increase in the value of recyclates is, in part, down to Ubico’s handling of collection, handling and storage. The contract now in place with Plan B enhances the value of our recyclables such that the value of our recycling in 2022/23 is expected to total nearly £1.25M.

The environmental enforcement team had also been working extremely hard. Having investigated over 341 instances of fly tipping in last year, 161 Fixed Penalty notices have been issued and 100 warning letters sent. Collectively, some £48,000 in fines have been issued.

57.9 Councillor Cook stated that the Culture and Leisure portfolio had performed impressively with enthusiasm and innovation. It has successfully applied for funding for the Museum of Gloucester to carry out repairs and improvements, the Guildhall has been chosen to join the prestigious Arts Council England’s National Portfolio which will result in funding over the next three years, and Gloucester Culture Trust had similarly been awarded National Portfolio status

57.10 Gloucester History festival was unfortunately postponed as a result of the period of mourning surrounding the Queen’s death but would be delivered in April. Gloucester Goes Retro, Rooftop Festival, the very successful Lantern parade for Christmas and other events over the past year brought thousands of people out from Gloucester and beyond.

57.11 In the Planning and Housing portfolio, the Gloucester City Plan 2011 - 2031 was adopted by Gloucester City Council at a meeting of Full Council on 26 January 2023. It formed part of the development plan for the City.

Councillor Cook informed Members that further to the recent bid to DLUHC for funding through the Supported Housing Improvement Programme (SHIP) to tackle the problems had been identified in the supported housing sector) DLUHC advised that our bid was successful and we’ve been awarded £673k over the next three years.

Planning permission was recently approved for 315 dwellings with 26 affordable housing units to develop a brownfield site within the railway triangle and would provide market value and affordable housing for the city

57.12 In the Communities and Neighbourhoods portfolio there had been considerable activity. The Wellington Parade garden, a known antisocial behaviour hotspot for years, had been successfully revamped into an open green space for residents to enjoy.

In the night time economy, we and our partners are vying this year for our sixth consecutive purple flag, recognising Gloucester for providing a diverse and vibrant mix of dining, entertainment and culture while promoting safety and well-being of visitors and residents.

57.13 Councillor Cook stated that funding had been secured to support voluntary and community organisations to turn their premises into warm and welcoming spaces for those struggling to heat their homes. There were now 33 of these premises across the city.

Councillor Cook summarised the new Council Plan that had the overarching theme of “Building a greener, fairer, better Gloucester for everyone.”

He stated that the Plan sought to continue and build on many of the promises in the previous plan, improving the city through ambitious plans for regeneration and culture, with a focus on two themes: tackling inequalities and taking action on climate change.

57.14 Councillor Cook outline that the financial environment continued to be difficult. Over the past nine years, the council had achieved cumulative savings of £5.5m whilst also generating additional income for the Council.

57.15 He advised that the administration proposed to increase Council Tax by 2.99%. The average increase since 2004 was 2.3%. He stated that this compared to the average of 10% a year for the previous ten years when opposition parties ran the City Council. A Band D householder would pay less than 60 pence per day for the services provided by the City Council, and the proportion of the total council tax bill which went to support the city council was around 11% of the total payable.

57.16 The budget included both revenue and the capital programme and Councillor Cook advised that the administration had budgeted for the further delivery of The Forum and the Food Dock.

57.17 Councillor Cook informed members that the Council continued to face budget pressures from the potential impact on income because of the ongoing pandemic and have put in place a Budget Equalisation Reserve to manage any potential pressures. Recovery from the cyber incident meant the Council has made substantial investment in further IT infrastructure.

57.18 The Corporate peer panel stated that the council needed to give serious consideration to continuing to strengthen its financial resilience; whilst there was evidence that the council’s political and organisational leadership were cognisant of the current risks arising from the state of the economy and the financial challenges faced by the sector, potential legacy risks from the cyber incident and current construction delivery and borrowing risks in relation to the Forum development, the council would benefit from being in a healthier position in relation to the level of its Reserves and provisions.

57.19 Councillor Cook advised that the budget had been drawn up against a continuing backdrop of a continued difficult financial environment, but sought to give the best opportunity of delivering a programme for the city. Councillor Cook stated that the administration was ambitious for the city and sought to make improvements at every opportunity.

57.20 Councillor Norman seconded the motion and outlined key aspects of the proposed Money Plan 2023-28. Local government finance continued to have a difficult financial outlook, considering the recovery from the Covid-19 pandemic and inflationary pressures impacting businesses, residents and local authorities.

57.21 The budget and money plan had been generated with prudent principles and using the best assumption on future central government changes to Business Rates baselines, New Homes Bonus and the impact of a future Fair Funding review. Councillor Norman outlined that government support for Gloucester for the forthcoming financial year included:

- The Core Spending Power Funding Guarantee has given us £320K, however with the removal of the Lower Tier Grant, this provided a net gain of £151k

- An additional one-off New Homes Bonus of £217k had also been received.

57.22 Councillor Norman advised that, within her own portfolio of Performance and Resources cost saving initiatives and income generation had been identified:

- Full years savings from the office relocation

- The potential of in sourcing of the parking enforcement

- In the coming financial year, we also see the generation of income from the Food Dock which was a property investment scheme

57.23 Councillor Norman advised that the council faced significant uncertainty from 2025/26 and it was expected there would be a significant reduction in retained funding from business rates when the Government undertake their proposed Fair Funding Review. This Review had been delayed several times and was not expected to occur prior to 2025. The Council needed to ensure there was sufficient funding in the Business Rates reserve to offset the expected changes when they occur and as such the plan assumed £1m will be drawn from this reserve from 2025 to 2028.

57.24 Consultation on the budget had been undertaken and received 258 responses. The top five priorities included:

- Waste Collection and Recycling
- Street Cleaning and Litter Collection
- Parks Play Areas & Open Spaces
- Land Drainage & Flood Protection
- Economic development and regeneration

57.25 In concluding, Councillor Norman thanked all officers at the Council and wished the outgoing Director of Policy and Resources and s. 151 Officer well in his retirement.

57.26 Councillor Hilton responded to the budget and moved the following amendments:

• That the Council Green Waste collections be restored for the Month of January (to be reviewed after one year).

To be financed by a reduction in the Councillor community allocations (from £750 to £500 per councillor) and £5k from the General Fund.

Total cost = £15k.

• That the council employs an Urban Designer on an initial two-year contract. To be funded from the VAT Shelter Reserve.

Cost = £49k per annum. Total cost (over 2 years) = £98k.

• That the council establishes a reserve to cover a tree watering gang and bowser to ensure young trees are adequately watered during hot summer days.

Cost Break Down as follows:

Hire of a bowser on a weekly basis Approx £200-250

Staff to water trees Approx £120/day

Total Cost for one Summer £20k

To be financed from

Climate Change Reserve £10k

Neighbourhood Spaces Reserve £10k

57.27 Councillor Hilton stated that over a number of years the Council had received significant reductions in central government support. Compared to grants and other funding in 2009-10, current levels of funding would have to be significantly greater. The advancement of projects was therefore becoming extremely difficult. Due to the significant costs of cyber recovery, Councillor Hilton shared his view that the result of this was that some matters could not be fulfilled.

57.28 Councillor Hilton stated that, were there to be a Liberal Democrat administration, planning enforcement would be improved, bulky waste collection would be made free and garden waste provision would be extended.

57.29 Councillor Wilson seconded the amendments. In respect of garden waste collection he stated that, as a ward Member, he had received a great deal of correspondence related to the reduction in provision. He stated that he would be willing to review the proposal in a year to ascertain additional take up of the service. He further stated that the extension would be for January only.

57.30 With regard to the proposal to directly employ an urban designer, Councillor Wilson stated that it was necessary to have professionals who sought to bring ambitious visions to life and that ambition needed to be matched with resource. He understood that much of this work was outsourced but that it was important for the Council to have its own designer.

57.31 In relation to the amendment regarding a 'water gang' Councillor Wilson stated that, were newly planted trees to die during another heatwave, the risk of reputational damage to the Council was great. It was suggested that a reserve be created as it was possible that such watering may not be necessary.

57.32 Councillor Cook responded to the amendments. With regard to the garden waste proposal, he stated that the consultation had indicated public support to reduce provision to ten months, particularly because it freed up staff for other delayed waste collections. In respect of the 'water gang' Councillor Cook advised that, as the trees were provided by the County Council, they were examining their own provision of watering the trees themselves.

57.33 Councillor S. Chambers responded to the amendment to employ an urban designer. She stated that planning officers were trained in such matters and that many lived in the City and had deep knowledge of it. Above all, planning officers were passionate about the City and cared deeply about its development. Where external advice was necessary, the applicant paid for this provision. Councillor S. Chambers advised that a new enforcement officer had been recruited and that the expense could not be justified to employ an urban designer.

57.34 Commenting on the amendments, Councillor Lewis stated that in order to fulfil them, the public would be paying. In relation to halving Councillor community allocations, this would have an impact on the voluntary and charities it was designed to assist.

57.35 Councillor Chambers-Dubus shared her view that the Council was not in the necessary financial position to fulfil the amendments. Once the Council was running better basic services, further spending could be considered.

57.36 Councillor Hilton clarified that the proposals were not for additional spending but were budgetary adjustments.

57.37 All three amendments were voted on individually and were lost.

57.38 Councillor Pullen responded to the budget. On behalf of the Labour Group he thanked the outgoing s. 151 Officer for all his assistance and advice over a number of years.

57.39 Councillor Pullen highlighted that there had been numerous years of cuts to budgets, staffing and services and that this was impacting on hard working families. He noted that this also came at a time of escalating interest rates, rising energy costs and inflation. He expressed concern for the position on interest rates and the impact it could have on current development being undertaken.

57.40 He queried whether £360k allocated for Aspire would be sufficient for them to be able to deliver quality leisure facilities particularly as it was his understanding that this figure did not include utility costs.

57.41 In respect of changes to car park charges, Councillor Pullen stated that he was opposed to the changes with particular reference to the removal of the 1-hour stay fee as businesses and traders were struggling. He also noted that there had not been public consultation on the changes.

57.42 Councillor Pullen advised that the Labour Group had intended to table amendments to make funds available to continue support to vulnerable households struggling with the cost of living. As the Household Support Fund had been extended by the Government, however, these amendments had been withdrawn. He asked for the administration to publicise widely its availability in prominent sites across the City.

57.43 In summation, Councillor Cook referred to Councillor Hilton's reference to funds available in 2009 and that much of this related to housing stock held by the Council which was now not the case and that there had been service transfers out of the Council. In relation to Councillor Pullen's remarks, Councillor Cook questioned why the Labour Group had not table amendments when they had issues with the budget.

57.43 The budget was put to a recorded vote and the votes were as follows:

For	**Against**	**Abstention**
	Hyman	
	Brown J.	
Cook		
Norman		
Chambers S.		
Lewis		
Padilla		
	Hilton	
	Pullen	
Gravells		
Tracey		
Morgan		
Wilson		
	Bhaimia	
Williams		

	Brown D.
Taylor	
Patel	
Toleman	
Brooker	
Finnegan	
	Bowkett
Ackroyd	
	Castle
	Chambers-Dubus
	Conder
Dee	
Durdey	
Evans	
Hudson	
Kubaszczyk	
	Radley
Zaman	
Campbell	
(22)	**(12)**

57.44 **RESOLVED** that: - (1) the proposals for the 2023/24 budget included in the report be approved. (2) it be noted that consultation has been undertaken on budget proposals.

58. COUNCIL TAX SETTING 2023/24

58.1 Councillor Cook moved and Councillor Norman seconded the motion. A recorded vote was taken and the results were as follows:

For	**Against**	**Abstention**
Hyman		
Brown J.		
Cook		
Norman		
Chambers S.		
Lewis		
Padilla		
Hilton		
Pullen		
Gravells		
Tracey		
Morgan		
Wilson		
Bhaimia		
Williams		
Brown D.		
Taylor		

Patel
Toleman
Brooker
Finnegan
Bowkett
Ackroyd
Castle
Chambers-Dubus
Conder
Dee
Durdey
Evans
Hudson
Kubaszczyk
Radley
Zaman
Campbell

(34)

58.2 **RESOLVED that : -** Council approve the statutory Council Tax resolutions as set out in the Appendix 1 to the report.

59. REVIEW OF POLITICAL BALANCE ON COMMITTEES AND VARIOUS APPOINTMENTS

RESOLVED that: - Council note:

(1) That no changes be made to the allocation of seats on Committees at this time and a further review will take place following the Westgate by-election.

(2) Receive and note the following nominations to Committees as required by the proposed changes:

− Overview and Scrutiny Committee – 1 vacant seat (Conservative) Councillor Taylor.

− Licensing and Enforcement Committee – 1 vacant seat (Conservative) – Councillor Kubaszczyk.

− Planning Committee – 1 vacant seat (Conservative) – Councillor Campbell.

− Audit and Governance Committee – 1 vacant seat (Conservative) – Councillor Morgan.

(3) Note that Dawn Melvin will continue her term as the Council’s representative on the Board of Gloucestershire Airport Limited.

(4) Note that Councillor Finnegan has been appointed to the vacant position on the Gloucestershire Police and Crime Panel.

60. NOTICES OF MOTION

There were no notices of motion.

Time of commencement: 6.00 pm hours
Time of conclusion: 7.05 pm hours

Chair

Meeting:	Cabinet Council	Date:	8 March 2023 23 March 2023
Subject:	Treasury Management Strategy 2023/24		
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 2023/24		

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) 2023/24 £260m
   b) 2024/25 £265m
   c) 2025/26 £260m

(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, has meant that 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 2023/24 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.

3.3 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.

3.4 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 market rates are more attractive than long term borrowing. There will be need for long term borrowing to support the current capital programme, such borrowing will also mitigate the risk presented by having all borrowing on short-term deals.

3.5 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.

3.6 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 below rates available for longer term funds.

5.0 Reasons for Recommendations

5.1 The Council is required to approve a Treasury Management Strategy before the start of each financial year to meet the requirements of the Local Government Act 2003. 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. Environmental Social and Governance requirements are covered within the CIPFA Prudential Code.

9.0 Legal Implications

9.1 The Council is required to approve a Treasury Management Strategy before the start of each financial year to meet the requirements of the Local Government Act 2003, the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities, the CIPFA Treasury Management In the Public Services: Code of Practice and Cross-sectoral Guidance Notes; DLUHC Capital Finance: Guidance on Minimum Revenue Provision.

9.2 The Treasury Management Strategy attached at Appendix 1 meets these legislative and guidance requirements.

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

<u>Community Safety</u>

12.1 None

<u>Sustainability</u>

12.2 None

<u>Staffing & Trade Union</u>

12.3 None

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

Appendix 1

Treasury Management Strategy 2023/24

1. Introduction

2021 revised CIPFA Treasury Management Code and Prudential Code – changes which will impact on future Treasury Management Strategy Statement/Annual Investment Strategy reports and the risk management framework

CIPFA published the revised Codes on 20th December 2021 and has stated that revisions need to be included in the reporting framework from the 2023/24 financial year. The Council, therefore, 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 Treasury Management Code requires all investments and investment income to 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 an authority's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

The revised Treasury Management Code will require an authority to implement the following: -

1. **Adopt a new liability benchmark treasury indicator** to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained;
2. **Long-term treasury investments**, (including pooled funds), are to be classed as commercial investments unless justified by a cash flow business case;
3. **Pooled funds** are to be included in the indicator for principal sums maturing in years beyond the initial budget year;

4. Amendment to the **knowledge and skills register** for officers and members involved in the Treasury Management function - to be proportionate to the size and complexity of the treasury management conducted by each authority;

5. **Reporting to members is to be done quarterly.** Specifically, the Chief Finance Officer (CFO) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The CFO is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the authority's integrated revenue, capital and balance sheet monitoring;

6. **Environmental, social and governance (ESG)** issues to be addressed within an authority's treasury management policies and practices (TMP1).

The main requirements of the Prudential Code relating to service and commercial investments are: -

1. The risks associated with service and commercial investments should be proportionate to their financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services;
2. An authority must not borrow to invest for the primary purpose of commercial return;
3. It is not prudent for local authorities to make any investment or spending decision that will increase the Capital Financing Requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority, and where any commercial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose;
4. An annual review should be conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;
5. A prudential indicator is required for the net income from commercial and service investments as a proportion of the net revenue stream;
6. Create new Investment Management Practices to manage risks associated with non-treasury investments, (similar to the current Treasury Management Practices).

An authority's Capital Strategy or Annual Investment Strategy should include: -

7. The authority's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;

8. An assessment of affordability, prudence and proportionality in respect of the authority's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services);

9. Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;

10. Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);

11. Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the authority's overall strategy);

12. State compliance with paragraph 51 of the CIPFA Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return;

As this TMSS and AIS deals solely with treasury management investments, the categories of service delivery and commercial investments should be addressed as part of the Capital Strategy report.

However, as investments in commercial property have implications for cash balances managed by the Treasury team, it will be for each authority to determine whether to add a high level summary of the impact that commercial investments have, or may have, if it is planned to liquidate such investments within the three year time horizon of this report, (or a longer time horizon if that is felt appropriate).

- **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 it 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 risk or cost objectives.

The contribution the Treasury Management function makes to the Council is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. 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.

- **Reporting requirements**

1.2.1 Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report which will provide the following: -

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

The aim of the strategy is to ensure that all the Council's elected members 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 currently required to receive and approve, as a minimum, three main treasury 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:

1 the capital plans (including prudential indicators);
2 a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
3 the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
4 an annual 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.

Quarterly reports – In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) is also required. However, these additional reports do not have to be reported to Full Council/Board but do require to be adequately scrutinised. This role is undertaken by the Audit and Governance Committee.

- **Treasury Management Strategy for 2023/24**

The strategy for 2023/24 covers two main areas:

Capital issues
1. the capital plans and the associated prudential indicators;

2. the minimum revenue provision (MRP) policy.

Treasury management issues

1. the current treasury position;
2. treasury indicators which limit the treasury risk and activities of the Council;
3. prospects for interest rates;
4. the borrowing strategy;
5. policy on borrowing in advance of need;
6. debt rescheduling;
7. the investment strategy;
8. creditworthiness policy; and
9. 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.

Furthermore, pages 47 and 48 of the CIPFA Code state that they expect "all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

Finance training for members, including Treasury Management, featured in the member development programme during 2022/23 and further training will be arranged as required
The training needs of Treasury Management officers are periodically reviewed and staff have attended training and seminars during 2022/23 and will continue to do so in the upcoming year.

1.5 Treasury management consultants

The Council uses Link Group, Link Treasury Services Limited 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 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.

- **THE CAPITAL PRUDENTIAL INDICATORS 2023/24 – 2025/26**

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.

  - **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	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Policy & Resources	3.166	0.936	0.150	0.150	0.150
Place	15.141	15.474	59.363	9.260	0.260
Communities	5.661	1.584	1.445	1.297	1.297
Culture & Trading	0.000	0.000	0.400	0.083	0.000
Total	**23.968**	**17.994**	**61.358**	**10.791**	**1.707**

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	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital receipts	0.236	0.000	0.482	0.275	0.230
Capital grants	2.521	1.081	5.676	1.316	1.277
Capital reserves	0.000	0.000	0.000	0.000	0.000
Revenue	0.000	0.000	0.000	0.000	0.000
Net borrowing need for the year	**21.211**	**16.913**	**55.200**	**9.200**	**0.200**

- **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 asset's 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.

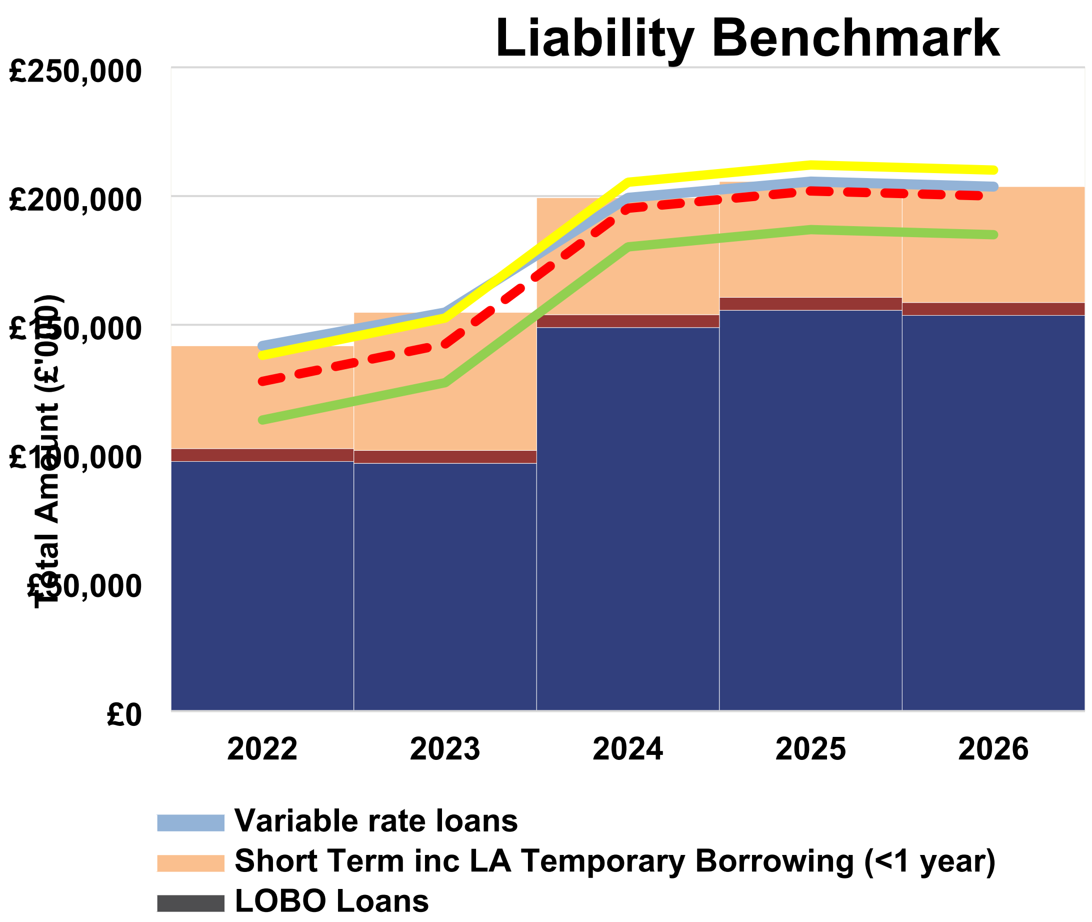
The Council is asked to approve the CFR projections below:

£m	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital Financing Requirement					
Total CFR	**138.185**	**152.703**	**205.426**	**212.127**	**225.542**
Movement in CFR	**19.228**	**14.518**	**52.734**	**6.701**	**(1.981)**

Movement in CFR represented by					
Net financing need for the year (above)	21.211	16.913	55.200	9.200	0.200
Less MRP/VRP and other financing movements	(1.983)	(2.406)	(2.466)	(2.499)	(2.181)
Movement in CFR	**19.228**	**14.507**	**52.734**	**6.701**	**(1.981)**

- **Liability Benchmark**

A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.



- **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	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Fund balances / reserves	1.127	1.127	1.023	1.263	1.395
Capital receipts	0.000	0.366	0.000	1.500	2.500
Provisions	1.600	1.500	1.500	1.500	1.500
Other (Grants)	2.000	2.000	2.000	2.000	2.000
Total core funds	**4.727**	**4.993**	**4.523**	**6.263**	**7.395**
Working capital*	14.000	10.000	10.000	10.000	10.000
Under/over borrowing**	(9.333)	(12.633)	(12.633)	(12.633)	(12.633)
Expected investments	**9.394**	**2.360**	**1.890**	**3.630**	**4.762**

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

- **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:

1. **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

2. **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.

Capital expenditure incurred during 2022/23 will not be subject to an MRP charge until 2023/24, or in the year after the asset becomes operational.

The Council will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.

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

For capital expenditure on loans to third parties where the principal element of the loan is being repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP.

MRP Overpayments - Under the MRP guidance, any charges made in excess of the statutory MRP can be made, known as voluntary revenue provision (VRP).

VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.

Cumulative VRP overpayments made to date are £1.359m.

- **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.

  - **Current portfolio position**

The overall treasury management portfolio as at 31 March 2022 and for the position as at 01 January 2023 are shown below for both borrowing and investments.

TREASURY PORTFOLIO				
	actual **31.3.22**	actual **31.3.22**	current **01.01.23**	current **01.01.23**
Treasury investments	£000	%	£000	%
Banks	5,600	32%	9,500	27%
Building societies - unrated	0	0%	0	0%
Building societies - rated	0	0%	0	0%
Local authorities	0	0%	0	0%
DMADF (H.M.Treasury)	0	0%	3,000	9%
Money Market Funds	1,975	11%	11,975	35%
Certificates of Deposit	0	0%	0	0%
Total managed in house	**7,575**	**43%**	**24,475**	**71%**
Bond Funds	5,000	28%	4,711	14%
Property Funds	5,000	28%	5,474	16%
Total managed externally	**10,000**	**57%**	**10,185**	**29%**
Total treasury investments	**17,575**	**100%**	**34,660**	**100%**
Treasury external borrowing				
Local Authorities	33,400	33%	53,600	34%
PWLB	62,015	62%	96,921	62%
LOBOs	5,000	5%	5,000	3%
Total external borrowing	**100,415**	**100%**	**155,521**	**100%**
Net treasury investments / (borrowing)	**-82,840**	**0**	**-120,861**	**0**

The Council's treasury portfolio position at 31 March 2022 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	**2021/22 Actual**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 Estimate**
External Debt					
Debt at 1 April	100.913	107.100	118.028	170.501	176.960
Expected change in Debt	6.187	10.928	52.473	6.459	(2.204)
Other long-term liabilities (OLTL)	*21.436*	*21.752*	*22.031*	*22.292*	*22.534*
Expected change in OLTL	*0.316*	*0.279*	*0.261*	*0.242*	*0.223*
Actual gross debt at 31 March	**128.852**	**140.059**	**192.793**	**199.494**	**197.513**
The Capital Financing Requirement	**138.185**	**152.692**	**205.426**	**212.127**	**210.146**
Under / (over) borrowing	**9.333**	**12.633**	**12.633**	**12.633**	**12.633**

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that 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.

- **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	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Debt	170	210	215	210
Other long term liabilities	30	30	30	30
Total	200	240	245	240

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	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Debt	185	225	230	225
Other long term liabilities	35	35	35	35
Total	220	260	265	260

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 8th November 2022. These are forecasts for certainty rates, gilt yields plus 80 bps:

Link Group Interest Rate View	08.11.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

Additional notes by Link on this forecast table: -

Our central forecast reflects a view that the MPC will be keen to demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened throughout 2022, but the new Government's policy of emphasising fiscal rectitude will probably mean Bank Rate does not now need to increase to further than 4.5%.

Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures have lessened – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

The CPI measure of inflation will peak at close to 11% in Q4 2022. Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market. Wage increases, excluding bonuses, are currently running at 5.7%.

Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started but will focus on the short to medium end of the curve for the present. This approach will prevent any further disruption to the longer end of the curve following on from the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy.

In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

PWLB RATES

Yield curve movements have become less volatile under the Sunak/Hunt government. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 3.75% to 4.50%. The medium to longer part of the yield curve is currently inverted (yields are lower at the longer end of the yield curve compared to the short to medium end).

We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the poor inflation outlook but markets are volatile and further whipsawing of gilt yields across the whole spectrum of the curve is possible.

The balance of risks to the UK economy: -

1. The overall balance of risks to economic growth in the UK is to the downside. Indeed, the Bank of England projected two years of negative growth in their November Quarterly Monetary Policy Report.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

2. **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).

3. **The Bank of England** acts too quickly, or too far, over the next two years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

4. **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.

5. **Geopolitical risks,** for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

1. The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates an even more rapid series of increases in Bank Rate faster than we currently expect.

2. **The Government** acts too slowly to increase taxes and/or cut expenditure to balance the public finances, in the light of the cost-of-living squeeze.

3. **The pound weakens** because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.

4. Longer term **US treasury yields** rise strongly, if inflation numbers disappoint on the upside, and pull gilt yields up higher than currently forecast.

Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are now above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed Local Authority to Local Authority monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

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 medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate increases over the remainder of 2022 and the first half of 2023.

Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Director of Policy and Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

1. *if it was felt that there was a significant risk of a sharp FALL in borrowing rates,* then borrowing will be postponed.

2. *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* 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 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.

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:

1. Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate).
2. 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).

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	●	●

- **ANNUAL INVESTMENT STRATEGY**

  - **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: -

1. DLUHC's Guidance on Local Government Investments ("the Guidance")
2. CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
3. CIPFA Treasury Management Guidance Notes 2021

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 Council 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 Council 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.

    1. **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
    2. **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 Council 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 Council 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 Council 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, the Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the 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. At the current juncture it has not been determined whether a further extension to the over-ride will be agreed by Government.

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

- **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*:*

1. Yellow 5 years *
2. Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
3. Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
4. Purple 2 years
5. Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
6. Orange 1 year
7. Red 6 months
8. Green 100 days
9. 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, more recently the UK sovereign debt rating has been placed on Negative Outlook by the three major rating agencies in the wake of the Truss/Kwarteng unfunded tax-cuts policy. Although the Sunak/Hunt government has calmed markets, the outcome of the rating agency reviews is unknown at present, but it is possible the UK sovereign debt rating will be downgraded.

Accordingly, when setting minimum sovereign debt ratings, the Council will not set a minimum rating for the UK

CDS prices

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government, 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.

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. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate peaking in the first half of 2023 and possibly reducing as early as the latter part of 2023 so an agile investment strategy would be appropriate to optimise returns.

Accordingly 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.

Investment returns expectations.
The current forecast shown in paragraph 3.3, includes a forecast for the Bank Rate to reach 4.5% in Q2 2023.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year , are as follows.:

Average earnings in each year	
2022/23 (remainder)	3.95%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%

Years 10+	2.80%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

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:

Upper limit for principal sums invested for longer than 365 days			
£m	**2023/24**	**2024/25**	**2025/26**
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:

1. **5% historic risk of default when compared to the whole portfolio.**

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

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

Yield - local measures of yield benchmarks are:

4. Investments – internal returns above the 7 day SONIA rate
5. 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 2023/24 – 2025/26

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	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Policy & Resources	3.166	0.936	0.150	0.150	0.150
Place	15.141	15.474	59.363	9.260	0.260
Communities	5.661	1.584	1.445	1.297	1.297
Culture & Trading	0.000	0.000	0.400	0.083	0.000
Total	**23.968**	**17.994**	**61.358**	**10.791**	**1.707**

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:

1. 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.

%	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
	21.02%	**22.16%**	**21.31%**	**21.58%**	**20.41%**

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 and St Oswalds investments. Rental payments received from retailers within Kings Walk and St Oswalds will cover these financing costs.

The increases from 2022/23 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 2023/24		
	Lower	**Upper**
Under 12 months	0%	100%
12 months to 2 years	0%	100%

2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years and above	0%	100%

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 2022 – 2025

Link Group Interest Rate View	08.11.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

PWLB forecasts are based on PWLB certainty rates.

6.2 ECONOMIC BACKGROUND

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	3.0%	1.5%	3.75%-4.00%
GDP	-0.2%q/q Q3 (2.4%y/y)	+0.2%q/q Q3 (2.1%y/y)	2.6% Q3 Annualised
Inflation	11.1%y/y (Oct)	10.0%y/y (Nov)	7.7%y/y (Oct)
Unemployment Rate	3.6% (Sep)	6.6% (Sep)	3.7% (Aug)

Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.

The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c£500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at 5.5% - 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22nd February 2022.

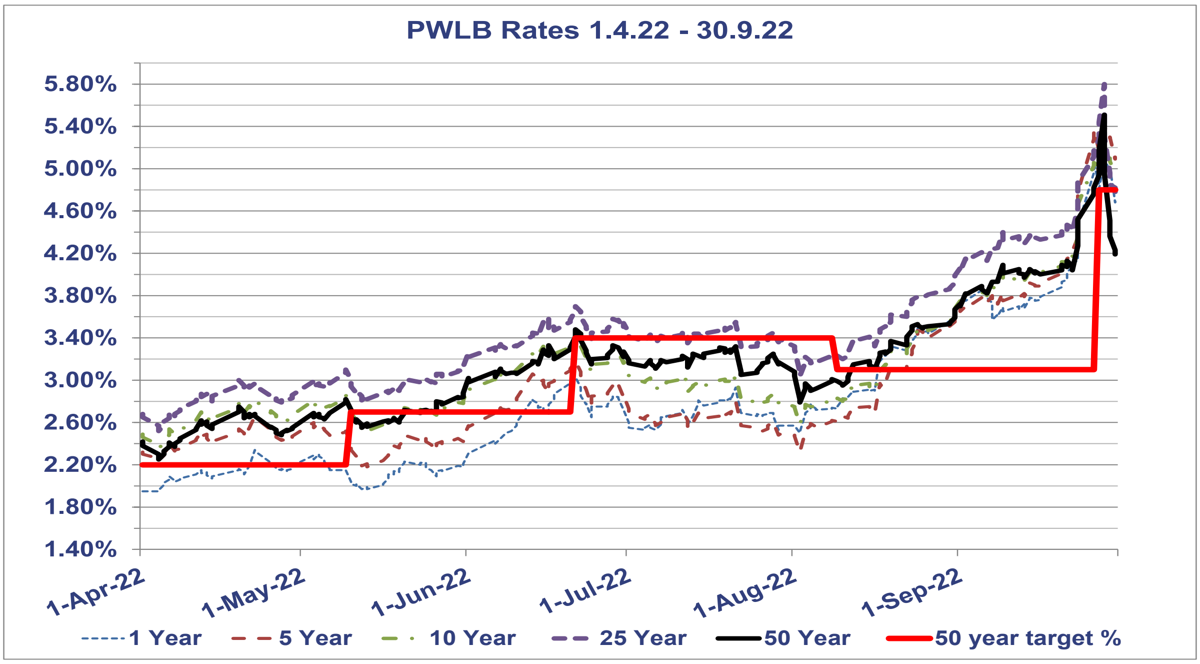
Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3% in November and the market expects Bank Rate to hit 4.5% by May 2023.

Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and December 2022. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their term lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of 17 November 2022 gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have completely reversed the increases seen under the previous tenants of No10/11 Downing Street.

Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one if not more quarters of GDP contraction. In November 2022, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.

The £ has strengthened of late, recovering from a record low of $1.035, on the Monday following the Truss government's "fiscal event", to $1.20. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

In the table below, the rise in gilt yields, and therein PWLB rates, through the first half of 2022/23 is clear to see.



However, the peak in rates on 28 September 2022 as illustrated in the table covering April to September 2022 below, has been followed by the whole curve shifting ever lower. PWLB rates at the front end of the curve are generally over 1% lower now whilst the 50 years is over 1.75% lower.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

After a shaky start to the year, the S&P 500 and FTSE 100 have climbed in recent weeks, albeit the former is still 17% down and the FTSE 2% up. The German DAX is 9% down for the year.

CENTRAL BANK CONCERNS – NOVEMBER 2022

At the start of November, the Fed decided to push up US rates by 0.75% to a range of 3.75% - 4%, whilst the MPC followed a day later by raising Bank Rate from 2.25% to 3%, in line with market expectations. EZ rates have also increased to 1.5% with further tightening in the pipeline.

Having said that, the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.

Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy

Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data has proven stronger than expected.

In addition, the Bank's central message that GDP will fall for eight quarters starting with Q3 2022 may prove to be a little pessimistic. Will the £160bn excess savings accumulated by households through the Covid lockdowns provide a spending buffer for the economy – at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

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	
Marketing Gloucester	N/A	£0.24m	
Rokeby Merchant	N/A	£0.6m	
Ladybellegate Estates	N/A	£1.8m	

Gloucestershire Wildlife Trust	N/A	£0.55m	
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

1. Australia
2. Denmark
3. Germany
4. Netherlands
5. Norway
6. Singapore
7. Sweden
8. Switzerland

AA+

9. Canada
10. Finland
11. U.S.A.

AA

12. Abu Dhabi (UAE)
13. France

AA-

14. Belgium
15. Qatar
16. **U.K.**

6.5 TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Council

- receiving and reviewing reports on treasury management policies, practices and activities;

1. 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:**	**8 March 2023** **23 March 2023**
Subject:	**Capital Strategy 2023/24**		
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 2023/24**		

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 the Capital Strategy at Appendix 1 be approved.

3.0 Background and Key Issues

3.1 The Capital Strategy (the 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 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 Strategy is a requirement of the CIPFA Prudential Code, no alternatives have been considered as this is a CIPFA Prudential Code requirement.

5.0 Reasons for Recommendations

5.1 Having a capital strategy is a requirement of the CIPFA Prudential Code.

6.0 Future Work and Conclusions

6.1 The Strategy will be monitored and reviewed annually.

7.0 Financial Implications

7.1 There are no direct financial implications arising from this report. The 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 Strategy of the Council. This is a requirement of the CIPFA Prudential Code – Environmental Social and Governance requirements are included within the CIPFA Prudential Code.

9.0 Legal Implications

9.1 The Council is required to produce a capital strategy to meet the requirements of the Local Government Act 2003, Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020, the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities, the CIPFA Treasury Management In the Public Services Code of Practice and Cross-sectoral Guidance Notes DLUHC Capital Finance: Guidance on Minimum Revenue Provision.

9.2 The Strategy attached to this report at Appendix 1 meets the requirements set out in the legislation and guidance set out in paragraph 9.1

10.0 Risk & Opportunity Management Implications

10.1 The Council must have reviewed its capital strategy by 31st March 2023.

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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Introduction

This 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 CIPFA Prudential Code.

Policy Context

The Council plan 2022-24 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 2023/24, the Council is planning capital expenditure of £61.358 as summarised below:

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

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
General Fund services	23.968	17.994	61.358	10.791	1.707
TOTAL	**23.968**	**17.994**	**61.358**	**10.791**	**1.707**

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 continues to progress since 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. The White Friars apartments part of phase 1 of the project were completed in 2022 and are now on the market, as these are part of the development programme, once sold will fund continued Forum development. Phase

1 has also seen Grosvenor House demolished with Tesco relocated to a new unit. Phases 2 and 3 of the project are now underway and progressing.

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 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 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 Kings Square fascias as well as improvements to the shopping area (Mall). This will include work on the Clarence Street and Kings Square entrances. The costs of these works are being met by the Councils development partner. Works on the Mall and the elevations around Kings Square will commence in early 2023

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 redevelopment work is ongoing with the project funded via the LEP.

The Food Dock is due for completion May 2023 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.

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 Major Projects Steering group/Property Investment Board 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

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
External sources	2.521	1.081	5.676	1.316	1.277
Own resources	0.236	0.000	0.482	0.275	0.230
Debt	21.211	16.913	55.200	9.200	0.200
TOTAL	**23.968**	**17.994**	**61.358**	**10.791**	**1.707**

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

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
Own resources	1.983	2.406	2.466	2.499	2.181

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

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 £52.734m during 23/24. 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

	31.3.2022 actual	31.3.2023 forecast	31.3.2024 budget	31.3.2025 budget	31.3.2026 budget
General Fund services	138.185	152.703	205.426	212.127	225.542
TOTAL CFR	**138.185**	**152.703**	**205.426**	**212.127**	**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 £4.36m of capital receipts in the coming financial years as follows:

Table 5: Capital receipts in £ millions

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
Asset sales	0.000	0.366	0.000	1.500	2.500
Loans repaid	0.000	0.000	0.000	0.000	0.000
TOTAL	**0.00**	**0.366**	**0.000**	**1.500**	**2.500**

- 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 4.0%) and long-term fixed rate loans where the future cost is known but higher (currently 4.66% for 50years).

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

	31.3.2022 actual	31.3.2023 forecast	31.3.2024 budget	31.3.2025 budget	31.3.2026 budget
Debt (incl. PFI & leases)	128.852	140.059	192.793	199.494	197.513
Capital Financing Requirement	138.185	152.692	205.426	212.127	210.146

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

	2022/23 limit	2023/24 limit	2024/25 limit	2024/25 limit
Authorised limit - borrowing	£185	£225	£230	£225
Authorised limit - PFI and leases	£35	£35	£35	£35
Authorised limit - total external debt	£220	£260	£265	£260
Operational boundary - borrowing	£170	£210	£215	£210
Operational boundary - PFI and leases	£30	£30	£30	£30
Operational boundary - total external debt	£200	£240	£245	£240

- 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 Director 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 Director 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 £128.852m detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £44.570m). 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 2021/22.

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

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

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
Financing costs (£m)	1.983	2.406	2.466	2.499	2.181

Proportion of net revenue stream	21.02%	22.16%	21.31%	21.58%	20.41%

- Further details on the revenue implications of capital expenditure are noted within the 2023/24 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 Director 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:**	**8 March 2023** **23 March 2023**
Subject:	**Pay Policy Statement 2023/24**		
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 2023/24**		

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 2023/24.

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 2023/24 attached as Appendix 1 be approved.

2.2 Council is asked to **RESOLVE** that the Pay Policy Statement for 2023/24 attached as Appendix 1 be approved.

3.0 Background and Key Issues

3.1 The Council's proposed pay policy for 2023/24 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 of 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 of 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 2023/24

Introduction and Purpose

Gloucester City Council employs approximately 276 staff which equates to 245.36 Full Time Equivalent staff (FTEs). Please note that this figure excludes casual and zero hours staff and is as at 1st January 2023.

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 2021/22).

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 2022/23 is as set out in the table below.

Grade	Spinal Column Points		Pay Scale	
	From	To	Minimum £	Maximum £
A	1	3	20,258	20,812
B	4	5	21,189	21,575
C	6	8	21,968	22,777
D	10	14	23,620	25,409
E	16	20	26,357	28,371
F	21	25	28,900	32,020
G	26	29	32,909	35,411
H	31	35	37,261	41,496

The Chief Officer pay scale for 2022/23 is as set out below.

Grade	Job Size	Pay Scale	
		Minimum £	Maximum £
I	1	42,405	47,463
J	1	48,474	51,458
K	2	52,460	55,453
L	2	56,647	60,553
M	3	61,357	67,164
N	3	68,455	74,411
Job Size 4	4	77,152	85,069
Job Size 5 (SMT1)	5	90,949	100,318

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 in 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 January 2023.

a) <u>Managing Director</u>
The current salary of the post is £ 126,718 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) <u>Directors job size 5</u>
The salaries of posts designated as Directors fall within a range between £ 90,949 rising to a maximum of £ 100,318. 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) <u>Head of Place and Culture</u>
The salaries of the posts are designated "Head of" are job size 4 and fall within the range of £77,152 to £ 85,069. 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 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 2023-24. 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 (£ 20,258 per annum, £ 10.50 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 2023, the Council increased the rate of pay for apprentices as follows:

- Level 2 Apprentices- £ 7.31 per hour
- Level 3 Apprentices- £ 8.83 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	£ 126,718	N/A
Median earnings	£ 27,817	4.56
Lowest earnings	£ 20,812	7.15

* Data is accurate as of the 1 January 2023 and excludes apprentices

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 2024 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.

Meeting:	**Council**	**Date:**	**23 March 2023**
Subject:	**Continuation of the Gloucestershire Economic Growth Joint Committee beyond 31 March 2023 for a further temporary period**		
Report Of:	**Leader of the Council**		
Wards Affected:	**All**		
Key Decision:	**No**	**Budget/Policy Framework:**	**No**
Contact Officer:	**Jon McGinty, Managing Director**		
	Email: jon.mcginty@gloucester.gov.uk	**Tel: 396200**	
Appendices:	**None**		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To consider a request to extend the operation of the Gloucestershire Economic Growth Joint Committee (GEGJC) beyond 31 March 2023 for a further temporary period and to delegate authority to the Head of Paid Service to amend the Inter-Authority Agreement (dated 4 September 2014) accordingly.

2.0 Recommendations

2.1 Council is asked to **RESOLVE** to:

(i) Agree to the GEGJC continuing to operate from 31 March 2023 for a further temporary period as agreed at the GEGJC meeting on 9 February 2023, and

(ii) delegate authority to the Head of Paid Service in consultation with the Leader of the Council to agree the length of the extension and complete the appropriate legal documentation to allow the Inter Authority Agreement to be extended beyond 31 March 2023.

3.0 Background

3.1 On 4 September 2014, all Gloucestershire Authorities entered into an Inter-Authority Agreement (IAA) to establish the Gloucestershire Economic Growth Joint Committee (GEGJC). The purpose of the GEGJC was to work collaboratively on economic development across the county and to administer the Strategic Economic Development Fund (SEDF), created from Business Rates Pooling arrangements. The initial term for the GEGJC was five years to end in September 2020.

3.2 Council considered and approved a report in July 2020, extending the operation of the Gloucestershire Economic Growth Joint Committee (GEGJC) for a period of 18 months to expire on 4 March 2022. Members will note that the decision in 2020 removed the requirement for 12 months' notice for any future changes to the agreement.

3.3 Members will recall that a year ago, on 24 March 2022, Council considered and approved a report to extend the operation of GEGJC for another year to 31 March 2023.

3.4 Implicit in both the previous extensions agreed was the need to review the operation of the GEGJC and whether it remains the appropriate forum to consider joint working on economic development and managing the funds held for that purpose generated by the Business Rates Pooling arrangements in the county.

3.5 Gloucestershire Local Authorities considered the future governance arrangements for leading economic growth in the county at its Leadership Gloucestershire meeting in June 2021 and has progressed discussions at subsequent meetings in 2021 and 2022. Those discussions have been shaped by first the delayed publication of the 'Levelling Up' White Paper (eventually published in February 2022) and subsequent Levelling Up and Regeneration Bill currently progressing through Parliament.

3.6 Future arrangements centre on the Gloucestershire City Region Board, which has never yet actually met, partly due to protracted discussions about governance arrangements.

3.7 However, at the time of writing this report, it is anticipated that the GEGJC will consider and agree outline governance arrangements for the Gloucestershire City Region Board and administration of the SEDF and establish a timetable for replacing the GEGJC.

3.8 Whilst a future report to Council will set out the new governance arrangements for agreement, this report seeks only to extend the life of the GEGJC by a further temporary period to allow arrangements to be finalised. A resolution from each local authority will be required for a further extension prior to the end of March 2023.

4.0 Alternative Options Considered

4.1 To not agree to extend the IAA to enable the Joint Committee continuing beyond 31 March 2023. However, this will result in there being no other formal joint decision-making arrangements in place across Gloucestershire local authorities to promote economic development or to manage the funds generated by the Business Rates Pooling arrangements in the county.

5.0 Reasons for Recommendations

5.1 To enable the Gloucestershire Economic Growth Joint Committee to continue to operate beyond 31 March 2023 until new Gloucestershire City Region Board arrangements can be established.

6.0 Financial Implications

6.1 The inter-authority agreement between the Councils provides for the administration costs of the Gloucestershire Economic Joint Committee (capped at £5,000 per annum) to be paid from the Strategic Economic Development Fund.

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

7.0 Legal Implications

7.1 The IAA no longer includes a provision requiring 12 months' notice being served by any of the partner authorities to any proposal to extend the life of the committee. Therefore, it is permissible to extend the agreement if all the Gloucestershire local authorities agree.

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

8.0 Risk & Opportunity Management Implications

8.1 The proposed extension of the IAA beyond 31 March 2023 to enable the Joint Committee to continue to operate for a further temporary period does not present any particular risks to the authority.

9.0 People Impact Assessment (PIA)

9.1 The proposed continuation of the Joint Committee beyond 31 March 2023 will not have any significant equality implications therefore a PIA is not required.

10.0 Other Corporate Implications

Community Safety

10.1 None

Sustainability

10.2 None

Staffing and Trade Union

10.3 None

Gloucester City Council

Meeting:	**Council**	**Date:**	**23 March 2023**
Subject:	**Designation of interim Chief Finance Officer (S151 Officer)**		
Report Of:	**Head of Paid Service**		
Wards Affected:	**All**		
Key Decision:	**No**	**Budget/Policy Framework:**	**No**
Contact Officer:	**Jon McGinty, Managing Director**		
	Email: jon.mcginty@gloucester.gov.uk		**Tel: 39-6200**
Appendices:	**None**		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To appoint an interim S151 Officer, in accordance with Section 151 of the Local Government Act 1972.

2.0 Recommendations

2.1 Council is asked to **RESOLVE** that Greg Maw, Financial Services Manager, be designated the Council's interim Chief Finance Officer (S151 Officer) until such time as a permanent appointment is made, in accordance with section 151 of the Local Government Act 1972, with effect from 1 April for a period of up to 6 months but no more than 12 months.

3.0 Background and Key Issues

3.1 Section 151 of the Local Government Act 1972 requires the council to make arrangements for the "proper administration of (its) financial affairs" and to "secure that one of their officers has responsibility for the administration of those affairs" through the appointment of what is known as a Chief Finance Officer to advise the council. The Chief Finance Officer is also known as the S151 Officer and this terminology will be used throughout this report.

3.2 The S151 Officer is required by law to be a qualified accountant and a member of one of the professional bodies as outlined in the Local Government Finance Act 1988. The legislative framework requires that either the S151 Officer is a direct employee of the council or that the S151 Officer is an employee of another council under a formal shared service arrangement.

3.3 Following the retirement of the current S151 Officer, Jon Topping, on 31st March 2023, it is necessary to appoint a replacement to ensure the council complies with legislation and to ensure continuity. The Head of Paid Service is considering what senior management structure will best meet the needs of the Council going forward and will seek to recruit a permanent S151 Officer shortly. If this post is at Director level, then Members will be involved in the appointment process through the Senior Appointments Committee, prior to any recommendation to Council. Appointments below Director level are the responsibility of the Head of Paid Service, though the decision to designate a S151 Officer will remain with Council.

3.4 Greg Maw is currently the Council’s Financial Services Manager and Deputy S151 Officer and is the most suitable internal candidate to fill the S151 Officer role on an interim basis until a permanent appointment can be made.

4.0 Social Value Considerations

4.1 Not applicable

5.0 Environmental Implications

5.1 Not applicable

6.0 Alternative Options Considered

6.1 The Council has a statutory duty to make the appointment and there is insufficient time to advertise and appoint to a permanent position before the current Section 151 Officers retires. Greg Maw is suitably qualified and experienced to undertake this role on an interim basis until a permanent appointment can be made.

6.2 No other options have been identified.

7.0 Reasons for Recommendations

7.1 To meet the statutory requirements to appoint a S151 Officer for the City Council.

8.0 Future Work and Conclusions

8.1 The recommended designation will be an interim one, subject to review within the next twelve months, to enable the Head of Paid Service to consider the future shape of leadership arrangements at the City Council and recruit as necessary, and the S151 Officer function will be part of that review.

9.0 Financial Implications

9.1 Any temporary additional responsibility allowance or acting up allowance to be paid to the interim S151 Officer will be covered by the savings generated from the vacant S151 Officer post.

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

10.0 Legal Implications

10.1 Under Section 151 of the Local Government Act 1972 the Council has a duty to make arrangements for the proper administration of their financial affairs and appoint a Section 151 Officer. The Section 151 Officer must lead on the Council’s financial functions and ensure that they are fit for purpose. The Section 151 Officer must be professionally qualified and suitably experienced.

10.2 Under Section 113 of the Local Government Finance Act 1988 the Section 151 Officer must also be a member of a recognised accountancy body.

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

11.0 Risk & Opportunity Management Implications

11.1 If a S151 Officer is not in post, the Council would be in breach of Section 151 of the Local Government Act 1972.

12.0 People Impact Assessment (PIA) and Safeguarding:

12.1 None.

13.0 Community Safety Implications

13.1 None

14.0 Staffing & Trade Union Implications

14.1 The Local Government Act 1972 requires the person designated as S151 Officer to be employed by the Council either directly or under a formal shared services agreement with another council.

Background Documents: None

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