



# Gloucester City Council

## Cabinet

**Meeting: Wednesday, 8<sup>th</sup> March 2023 at 6.00 pm  
in Civic Suite, North Warehouse, The Docks, Gloucester, GL1 2EP**

<b>Membership:</b>	Cllrs. Cook (Leader of the Council and Cabinet Member for Environment) (Chair), Norman (Deputy Leader of the Council and Cabinet Member for Performance and Resources) (Vice-Chair), S. Chambers (Cabinet Member for Planning and Housing Strategy), Lewis (Cabinet Member for Culture and Leisure) and Padilla (Cabinet Member for Communities and Neighbourhoods)
<b>Contact:</b>	Democratic and Electoral Services 01452 396126 <a href="mailto:democratic.services@gloucester.gov.uk">democratic.services@gloucester.gov.uk</a>

## AGENDA

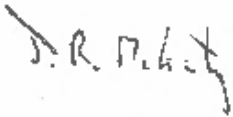
<b>1.</b>	<b>APOLOGIES</b>  To receive any apologies for absence.
<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>  To receive from Members, declarations of the existence of any disclosable pecuniary, or non-pecuniary, interests and the nature of those interests in relation to any agenda item. Please see Agenda Notes.
<b>3.</b>	<b>MINUTES (Pages 7 - 10)</b>  To approve as a correct record the minutes of the meeting held on 8 <sup>th</sup> February 2023.
<b>4.</b>	<b>PUBLIC QUESTION TIME (15 MINUTES)</b>  The opportunity is given to members of the public to put questions to Cabinet Members. A question may be rejected if it:  (i) Is not about a matter for which the local authority has responsibility or influence; or (ii) Is illegal, improper, defamatory, frivolous or offensive; or (iii) Is substantially the same as a question which has been put at a meeting of the Council, Cabinet or Committee in the past 6 months; or (iv) Requires the disclosure of confidential or exempt information; or (v) Is related to confidential staffing matters; or (vi) Is relating to the personal affairs or conduct of individual Members or Officers.  To ask a question at this meeting, please submit it to <a href="mailto:democratic.services@gloucester.gov.uk">democratic.services@gloucester.gov.uk</a> by 12 noon on Friday 3 <sup>rd</sup> March 2023 or telephone 01452 396203 for support.

<p><b>5.</b></p>	<p><b>PETITIONS AND DEPUTATIONS (15 MINUTES)</b></p> <p>To receive any petitions or deputations provided that no such petition or deputation is in relation to:</p> <ul style="list-style-type: none"> <li>• Matters relating to individual Council Officers, or</li> <li>• Matters relating to current or pending legal proceedings</li> </ul>
<p><b>6.</b></p>	<p><b>LEADER AND CABINET MEMBERS' QUESTION TIME (15 MINUTES)</b></p> <p>Any Member of the Council may ask the Leader of the Council or any Cabinet Member any question upon:</p> <ul style="list-style-type: none"> <li>• Any matter relating to the Council's administration</li> <li>• Any matter relating to any report of the Cabinet appearing on the summons</li> <li>• A matter coming within their portfolio of responsibilities</li> </ul> <p>Only one supplementary question is allowed per question.</p> <p>Questions must be submitted to <a href="mailto:democratic.services@gloucester.gov.uk">democratic.services@gloucester.gov.uk</a> by 12 noon on Friday 3<sup>rd</sup> March 2023. Responses to questions will be published in an addendum to the agenda by 12 noon on the day of the Cabinet Meeting.</p>
<p><b>7.</b></p>	<p><b>CULTURAL STRATEGY UPDATE REPORT (Pages 11 - 20)</b></p> <p>To consider the report of the Cabinet Member for Culture and Leisure providing an overview of progress made against the Cultural Strategy for the period April 2022 to March 2023.</p>
<p><b>8.</b></p>	<p><b>PERFORMANCE MONITORING QUARTER 3 - 2022/23 (Pages 21 - 38)</b></p> <p>To consider the report of the Cabinet Member for Performance and Resources informing Members of the Council's performance against key measures in Quarter 3 of 2022/23.</p>
<p><b>9.</b></p>	<p><b>CAPITAL STRATEGY 2023/24 (Pages 39 - 50)</b></p> <p>To consider the report of the Cabinet Member for Performance and Resources seeking Members to recommend that Council approves the Capital Strategy 2023-24.</p>
<p><b>10.</b></p>	<p><b>TREASURY MANAGEMENT STRATEGY 2023/24 (Pages 51 - 86)</b></p> <p>To consider the report of the Cabinet Member for Performance and Resources seeking that Members recommend that Council approves the Treasury Management Strategy and the prudential indicators, and notes the Treasury activities.</p>
<p><b>11.</b></p>	<p><b>PAY POLICY STATEMENT 2023/24 (Pages 87 - 96)</b></p> <p>To consider the report of the Cabinet Member for Performance and Resources seeking Members to recommend that Council approves the Council's Pay Policy Statement for 2023/24.</p>

**12. 'GLOUCESTER FEED THE HUNGRY' LEASE AGREEMENT - TO APPROVE THE DRAFTING OF A LEASE TO OCCUPY 24 THE OXBODE (Pages 97 - 104)**

To consider the report of the Cabinet Member for Performance and Resources, and the Cabinet Member for Communities and Neighbourhoods seeking to secure approval to enter into a one year lease for Gloucester Feed the Hungry Community Interest Company to continue their work in the local community as a community coffee shop, food bank and donation centre for the homeless and vulnerable within the City.

**Please note that Appendix 1 is exempt from disclosure to the press and public by virtue of Paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended (information relating to the financial or business affairs of any particular person including the authority holding that information). If Members wish to discuss Appendix 1 Cabinet will first need to consider resolving to exclude the press and public before doing so.**



**Jon McGinty  
Managing Director**

**Date of Publication: Tuesday, 28 February 2023**

## 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**

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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**

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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.

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

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## CABINET

**MEETING** : Wednesday, 8<sup>th</sup> February 2023

**PRESENT** : Cllrs. Cook (Chair), Norman (Vice-Chair), S. Chambers, Lewis and Padilla

**Others in Attendance**

Cllr. Hilton

Managing Director

Director of Communities

Director of Policy and Resources

Monitoring Officer

Growth and Delivery Manager

Democratic and Electoral Services Officer

**APOLOGIES** : None

**72. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**73. MINUTES**

**RESOLVED** that the minutes of the meeting held on 11<sup>th</sup> January 2023 are confirmed as a correct record and signed by the Chair.

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

There were no public questions.

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

There were no petitions or deputations.

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

In respect of question 2 Councillor Hilton noted that the cost of the ICT infrastructure restoration had been substantial and sought reassurance that the new systems would be more secure than before. The Cabinet Member for Performance and Resources referred to the confirmation given to the Overview and Scrutiny Committee (31 October 2022 Minute 50.8) that additional active protection was in

**CABINET**  
**08.02.23**

place. She expressed confidence in those additional measures but commented that an 100% guarantee of safety could never be given for any organisation whether public or private.

In respect of question 3 Councillor Hilton enquired, given the good progress being made towards restoring the ICT infrastructure, whether now was the right time was to introduce webcasting for public meetings. The Cabinet Member for Performance and Resources stated that she shared the desire for residents to remotely view meetings and that the IT Team were working towards it. She assured Councillor Hilton that the timetable for implementation would be shared with him when available.

In respect of question 5 Councillor Hilton asked that the transfer of the Eastgate indoor market to a better location with greater footfall be made a priority despite the Levelling Up Round 2 bid not being successful. The Leader of the Council reiterated that a whole range of options to benefit the market traders was being explored.

In respect of question 6 Councillor Hilton informed Members of correspondence received from his ward residents regarding Section 106 funding and queried whether the ward members would be consulted in plans for projects to benefit Kingsholm and Wotton. The Cabinet Member for Planning and Housing Strategy noted some of the projects set to receive an allocation, such as the Sebert Street playground, and invited Councillor Hilton to discuss the matter in detail with her at a later date.

**77. MONEY PLAN 2023-28 AND BUDGET PROPOSALS 2023/24**

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

The Leader of the Council outlined the main objectives of the Money Plan (4.2). He placed it in the context of pressures such as the Local Government Finance Settlement, cost of living crisis, high inflation and ongoing challenges from the pandemic but emphasised that despite these there were no reductions in staff or the Council's ambitions. The Leader of the Council expressed gratitude to the Finance Team and the Section 151 Officer for their work.

The Cabinet Member for Performance and Resources highlighted the savings in her own portfolio (Appendix 3). She commented on the responses to the budget public consultation and noted that there were significantly more responses than last year. The Cabinet Member for Performance and Resources informed Members that she was proud that an overall balanced position had been reached. She thanked them, senior officers and the Finance Team for their achievement in what had been a challenging year, not least with both inflation and the cyber incident.

**RECOMMENDED** to Council that:

- (1) the proposals for the 2023/24 budget included in the report be approved



**CABINET**  
**08.02.23**

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

**78. ENDORSEMENT OF A FIVE YEAR VISION FOR GLOUCESTER CITY CENTRE**

Cabinet considered the report of the Leader of the Council that informed Members of the work undertaken by the Gloucester City Centre Commission over the past 18 months and proposed a five-year vision produced in consultation with the Commission.

The Leader of the Council summarised the background to the report and detailed the key themes of the proposed vision to make the city centre an even better place to be in and enjoy. He drew Members' attention to the suggestions made by the Overview and Scrutiny Committee (30 January 2023 Minute 93) and thanked the City Growth and Delivery Manager for his efforts.

The Cabinet Member for Culture and Leisure expressed his own gratitude to the City Growth and Delivery Manager. He apprised Members of his many conversations with residents where improvement in the city centre had been noticed and advised that the proposed vision would progress it still further. The Cabinet Member for Communities and Neighbourhoods commented that he was pleased to see the 6 core principles underpinning the vision so that the city centre of 2028 will welcome everyone with understanding and compassion.

**RESOLVED** that the Vision for Gloucester City Centre as prepared on behalf of the Gloucester City Centre Commission is endorsed and to take account of the vision in future decisions relating to the future of the city centre.

**79. HEMPSTED MEADOW - SEASONAL CAR BOOT SALE**

Cabinet considered the report of the Cabinet Member for Performance and Resources, and the Cabinet Member for Culture and Leisure that proposed options for the provision of a car boot sale site at Hempsted Meadow and provided information about site constraints with how these can be managed.

The Cabinet Member for Culture and Leisure reminded Members that the Gloucester car boot sale had been widely missed and of their commitment to bring it back. He advised that it was prudent to make it seasonal as Hempsted Meadow, despite being the best of the sites considered, was prone to flooding in the wettest parts of the year. The Cabinet Member for Culture and Leisure stated that this measure would prolong the use of the site to the benefit of residents for many years to come, as would the prevention of damage by heavy vehicles.

The Cabinet Member for Performance and Resources thanked the Property Commissioning Manager for navigating the complexities necessary to make the best of the proposed site. She further noted that Hempsted Meadow would allow simultaneous opportunities for other short-term events such as fairs and open-air entertainments. The Cabinet Member for Performance and Resources commented that it was right that an independent property agent be used (3.8) so that the best operator can be appointed to the benefit of both Council and residents. The

**CABINET  
08.02.23**

Cabinet Member for Communities and Neighbourhoods noted that car boot sales are not only a good means for residents to get rid of unwanted items but are also cultural events that can promote good health and well-being. The Cabinet Member for Environment reiterated that interest from residents in the matter was high.

**RESOLVED** that:

- (1) authority is given to the Property Commissioning Officer in consultation with the Markets and Green Spaces Officers, and the Cabinet Members for Policy & Resources and Culture & Leisure to undertake a competitive process to identify, award, and enter into legal agreements with the chosen operator to run the car boot sale at Hempsted Meadow
- (2) the car boot sale is operated as a seasonal provision due to physical site constraints from flooding and high water tables.

**Time of commencement: 6.00 pm**  
**Time of conclusion: 6.23 pm**

**Chair**



<b>Meeting:</b>	<b>Cabinet</b>	<b>Date:</b>	<b>8 March 2023</b>
<b>Subject:</b>	<b>Cultural Strategy Update Report</b>		
<b>Report Of:</b>	<b>Cabinet Member for Culture and Leisure</b>		
<b>Wards Affected:</b>	<b>All</b>		
<b>Key Decision:</b>	<b>No</b>	<b>Budget/Policy Framework:</b>	<b>No</b>
<b>Contact Officer:</b>	<b>Philip Walker, Head of Culture</b>		
	<b>Email: Philip.walker@gloucester.gov.uk</b>	<b>Tel:</b>	<b>39-6355</b>
<b>Appendices:</b>	<b>1. Gloucester Cultural Strategy Delivery Tracker 2022-23</b>		

**FOR GENERAL RELEASE**

**1.0 Purpose of Report**

1.1 To provide an overview of progress made against the Cultural Strategy for the period April 2022 – March 2023.

**2.1 Recommendations**

2.1 Cabinet is asked to **RESOLVE** that the report be accepted and progress against the objectives and actions be noted.

**3.0 Background and Key Issues**

**3.1 Need for a Cultural Strategy for Gloucester**

The revised Cultural Strategy was adopted in March 2021 for the period 2021 - 2026. The revised strategy continues to be an effective mechanism that provides focus and context for the development of culture in Gloucester. The renewed emphasis on embedding the strategy in other city council priorities has been made evident in the Council Plan 2022-24.

**3.2 Reporting on progress**

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

### **3.4 Gloucester Culture Trust context**

The trust has continued to make progress in relation to the Cultural Strategy over the past 12 months and has undergone some personnel changes during that time. The chief executive officer Adam Coleman left in order to take up a new strategic position with the Arts Council in October 2022. The trust has since been led by an interim CEO, James Garrod, seconded from within the organisation. The Board appointed five additional Trustees to bring the board to full strength in November 2022. In addition, the board are seeking to recruit a new chairperson to lead the trustees. In January 2023, the recruitment process commenced for the CEO and Chair with both positions hope to be appointed by April 2023.

### **3.5 National Portfolio Organisations**

One of the biggest funders of the arts in England is from Arts Council England (ACE). During 2022 ACE invited applications from organisations working within arts and culture in all forms to apply to join the national portfolio. Gloucester Culture Trust developed and submitted an application that was successful. This means that from 1 April 2023, GCT joins some notable arts and cultural organisations, with three years of annual funding of £150,000 per year secured from April 2023 until end March 2026. In addition to funding the ACE NPOs are eligible for support in combatting climate change and in understanding audiences and impact of their work. This a notable achievement for the trust and demonstrates the confidence placed in them by the Arts Council and helps meet the Council Plan 2022-24 objectives to increase the number of NPOs in the city.

### **3.6 National funding Context - Priority Places**

In response to the Levelling-Up agenda Arts Council have used data and research to identify places that have been historically under-served and have lacked investment into their cultural offers. These 'cold spots' for investment is being redressed and a number of places across the country have been recognised as having lacked investment. Gloucester is one of 11 in the SW region to become a priority place. This means that ACE provide a dedicated Relationship Manager for Gloucester, who's role is to provide advice, guidance and support to the NPOs and the wider cultural organisations in the city. The other advantage of being a Priority Place, is that some of the ACE funding schemes will use this as a 'weighted' criteria that give a greater opportunity for successful bids.

### **3.7 Local Government Commission on Culture 2022**

During 2022 the Local Government Association (LGA) commissioned a report into Culture. In the introduction Baroness Lola Young of Hornsey, the Chair wrote that "A vibrant cultural ecosystem creates jobs, supports health and wellbeing, enhances learning and opens up opportunities for young people. It draws people to the high street, underpins the visitor and night-time economies, supports the growing creative industries and helps to make places unique." The report draws together evidence of the ways in which local culture contributes to resilient places, inclusive economic recovery, social mobility and in addressing health inequalities. It concludes that local culture can be important in delivering against these agendas

and that councils have a vital role to play - in funding and supporting local cultural infrastructure and as place shapers.

### **3.8 Strategic Objectives for the Gloucester Cultural Strategy**

The council and GCT have continued to work closely over the past year along with other key cultural providers in the city. The focus of the work stems from the delivery of the Cultural Strategy. A shared Cultural Strategy Action plan is used to track progress against the 8 key objectives and the overall vision to ‘Put Culture at the heart of Gloucester, for the good of all.’

### **3.9 Notable Successes**

**Objective 1: Embed culture in the city’s future plans** – the Council Plan 2022-2024 refers to culture and the cultural strategy and the emerging City Centre vision references culture, arts and heritage within the 5 year vision. Increase in the number of NPO funded organisations from April 2023. These are Gloucester Culture Trust and Gloucester Guildhall as the new NPOs that join Strike a Light - the only other organization in the city already within the NPO scheme.

**Objective 2: Build the cultural and creative industries by developing artists and arts organisations** - Jolt studios opened in June 2021 and The Music Works have completed the capital works required to fit-out the second floor and since then Kings House has developed into a thriving cultural hub for musicians, artists and creative start-up organisations as well as GCT providing a free creative co-working space. Occupancy levels are exceeding expectation with 100% of Jolt studios rented for the majority of 2022.

**Objective 3: Broaden the cultural offer to support social and economic development** - Gloucester Roundhouse Exchange (GRHX) programme complete with strong relationships now existing amongst partners and the Roundhouse. All partner organisations are still in touch and able to ask advice. GCT has recruited a new Trustee from Lyric Hammersmith in London. 100 Heroines (a charity promoting awareness and the heritage of women in photography) have established themselves in the city and have opened a gallery in the Eastgate centre.

**Objective 4: Develop a vibrant city centre full of cultural activity and things to do** - Kings Square was launched with a day of events including a internationally acclaimed high-wire artist, contemporary dance acts working with local communities, a commission of new music from The Music Works to go with the fountains, circus skills activities with Circomedia. Other events on Kings Square included the inflatable Luminarium by Architects of the Air, Gloucester Goes Retro and weekly music pop-ups by young performers as well as the Tree of Light and related Christmas activities. A series of bids are being developed to animate the square in future with more cultural and commercial activity.

**Objective 5: Develop audiences who enjoy the new cultural opportunities being created** - Gloucester’s cultural offer has been more effectively promoted via the Visit Gloucester website, combined with marketing campaigns that drive up a wider awareness of Gloucester’s cultural offer as well as footfall to the city from visitors.

**Objective 6: Put Gloucester on the cultural map by developing high profile events** - in addition to the development and delivery of Gloucester Tall Ships Festival in May 2022 the council with GCT have identified a robust process for distributing funding to support emerging and new festivals and events through the New Projects and Commissions fund which provided funds for Strike a Light and through distribution of funds to support key festivals and events such as Gloucester Goes Retro and Gloucester History Festival.

**Objective 7: Make things happen to continue the momentum for change**  
- The latest Arts Council England (ACE), National Portfolio Organisations (NPO) have been announced. 3 Gloucester based organisations were successful with 2 more county-wide NPO's operating heavily in Gloucester. Direct Gloucester funding has increased by 760%. Previously £255,000 now £650,000.

**Objective 8: Empower young people to create, experience and participate in culture** - Jolt's Colab young networking group has provided support to young people (under 30) attending. Training has been provided through the Future Producers Course resulting in a high-quality event with marketing targeted to attract young people to these opportunities.

#### **4.0 Social Value Considerations**

- 4.1 Social value is integral to the delivery of the Cultural Strategy and this will continue to be a focus for the strategy in future. Culture and cultural activity in the city can provide far-reaching benefits to citizens' health, well-being, skills and help develop social cohesion and a sense of place. Cultural participation in activities such as events and festivals can bring disparate communities together to celebrate and collaborate.
- 4.2 A resident's survey, which garnered a statistically valid response, with respondents from every ward – and helps us understand local residents' views has shown that 6% of residents feel that there is more to do than in previous years and 7% feel that the city's festivals, arts and culture make Gloucester a better place to live, resulting in an increased (+9%) level of pride in the city. GCT will continue to work in partnership with GCC to repeat the residents survey in 2023.
- 4.3 The strategy aims to increase participation in the cultural life of the city – from all areas and communities. A focus upon young people and their development as cultural leaders remains a central aim.
- 4.4 There is an ambition to ensure that there is greater representation from diverse communities (BAME, young people, older people and disabled people) both producing and consuming culture in the city.
- 4.5 The objective to embed culture within the city's plans will include connecting where relevant to the work being undertaken by the Race Equality Commission and making links with others within the Voluntary Community Sector and the City Council Plan 2022-24 – which aims to tackle inequalities.

## **5.0 Environmental Implications**

- 5.1 NPOs are expected to meet stringent standards in relation to tackling Climate Change and will
- 5.2 Targets to reduce the energy use and consumption in Jolt Studios have been set by GCT and energy efficiency measures implemented.
- 5.3 Criteria for the allocation of funds by GCT include identifying measures to reduce waste and energy use.

## **6.0 Alternative Options Considered**

- 6.1 None

## **7.0 Reasons for Recommendations**

- 7.1 This report provides an update of progress in relation to delivery of the Cultural Strategy and the recommendation is to note the progress being made.

## **8.0 Future Work and Conclusions**

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

## **9.0 Financial Implications**

- 9.1 By having a cultural strategy in place has supported the case for investment and funding from strategic bodies including Arts Council England, Historic England, Paul Hamlyn Foundation and other trusts, foundations and businesses investing in Gloucester.
- 9.2 The city council's cultural budgets are used to deliver services that support the cultural strategy and any additional budget required will be sought from external funding bodies, such as those mentioned above – and by working in partnerships and collaboratively across the city.
- 9.3 The city council provides the first floor of Kings House to GCT at peppercorn rent. Charges are made for utilities and facilities management.
- 9.4 A fee has been paid to GCT which ceases from April 2023.

## **10.0 Legal Implications**

- 10.1 The delivery of the objectives of the Cultural Strategy 2021-2026 are the responsibility of the Council and its partners. Any collaboration or new delivery models with outside bodies will need to ensure compliance with relevant legislative requirements and the Council's Contract Rules.
- 10.2 Gloucester Culture Trust are an independent Charitable Incorporated Organisation (Charity number 1177489) separate from the city council.
- 10.3 The Subsidy Control Act 2022 came into force in January 2023 and applies to any financial assistance given by the council to an 'enterprise' this includes grants and

land transactions at undervalue. An evaluation may need to take place to establish if the Gloucester Culture Trust fall within the definition of an enterprise (i.e. an organisation that offers goods and services on a market). Where necessary advice will be sought from colleagues at One Legal.

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

## **11.0 Risk & Opportunity Management Implications**

- 11.1 The funding from Arts Council for GCT for 2023-26 is an opportunity for the organisation to develop and consolidate its position as the organisation to lead the city's strategy.
- 11.2 The successful delivery of the Cultural Strategy requires the support of multiple partners in the city and continued leadership of Gloucester Culture Trust.
- 11.3 Recruitment of a CEO, Chair and other key roles will support the delivery of the NPO funded programme of works from April 2023 – 2026.

## **12.0 People Impact Assessment (PIA) and Safeguarding:**

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

## **13.0 Community Safety Implications**

- 13.1 None

## **14.0 Staffing & Trade Union Implications**

- 14.1 None

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



Objective	Action	KPI	Progress April 22 - March 2023	Progress RAG
<b>1. Embed culture in the city's future plans</b>	A.1 Integrate this Cultural Strategy into the city's future plans for regeneration, environmental sustainability, place-making and community well-being.	Number of GCC strategy, policies and plans that reference Culture and enable Cultural Strategy	Council Plan 2022-2024 includes reference to the Cultural Strategy. City Centre vision references culture within it.	On track
	A.2. Work with the city's artists, arts and heritage organisations to integrate environmental sustainability into cultural planning and delivery, and use creative activity to support and promote a green agenda.	KPI1: Number of artists, arts and heritage organisations in contact with Gloucester Culture Trust. KPI2: Training, support or advice delivered in relation to the Green agenda for arts and artists	KPI1. 84 artists, 15 Arts & Heritage Orgs KPI2. None to date, but will be addressed from April 2023	On track
<b>2. Build the cultural and creative industries by developing artists and arts organisations</b>	A.3 Continue developing Kings House into an exemplar arts, and creative industries hub and incubator to build and support a thriving diverse creative community at the heart of Gloucester	KPI1: % Occupancy rates at JOLT studios. KPI2: Completion of fit-out of The Music Works.	100% + waiting list = 14 of its 14 studios and 11 of 11 Pod Studios let to emerging creative businesses. 21 members to date. All receiving start-up and growth support. The Music Works completed and open.	Completed
	A.4 Develop and implement a business transformation and creative development plan for Gloucester City Council-run cultural venues to release their potential	Completion of Guildhall Development Plan. Completion of Blackfriars Development Plan.	Development and completion of 5yr Museum of Gloucester Development Plan. Guildhall Business Plan commissioned and being reworked for 2023-26 in light of NPO funding. Blackfriars Development Plan in progress.	On track
	A5. Invest in talent development programmes and networks across Gloucester to develop cultural leaders, existing and emerging, and nurture future generations of artists and creatives.	Number of people participating in Talent Development Programmes - eg. Kickstarter apprenticeships.	Completion of 1 year community producer role, allowing audience development and relevant work to happen in Gloucester communities. More planned from April 2023.	On track
	A.6 Invest in and champion the city's independent cultural sector, to boost the professional skills, qualifications and employability of people who lead, manage, work in or aspire to work in the creative and cultural sector	Number of professional qualifications gained as a result of cultural investment into sector. Number of new roles created in cultural sector.	GCT, 1 new permanent role created from Kickstarter programme.	On track
<b>3. Broaden the cultural offer to support social and economic development</b>	A.7 Ensure a unified approach to cultural planning by aligning Gloucester Culture Trust and independent cultural organisations with the local authorities, Covid-19 recovery groups and other economic and social policy-makers.	Number of cultural orgs engaging with Covid-Recovery activity.	Covid recovery group for Culture and the Visitor Economy meeting to look at opportunities to maximise programme. First Fridays as an outcome along with campaigns and investment into festivals and events. NO FURTHER UPDATE REQUIRED< ACTION COMPLETE	Completed
	A.8 Develop a cultural and creative industries infrastructure masterplan and investment plan for the city, to ensure the city's built infrastructure becomes industry-leading, supports this Cultural Vision & Strategy and is as ambitious as the rest of the city's bricks and mortar regeneration. (This builds upon the recommendations of the independent 2019 Report into the feasibility of a major new venue for Gloucester.)	Initial KPI: Completion of Infrastructure and investment masterplan	GCT has now undertaken this piece of work as part of its NPO delivery, with work to start within the next year.	Planned
	A.9 Continue to build partnerships with national cultural organisations, artists and producers to inspire the sector's ambitions and drive up audience demand for cultural experiences.	Number of partnerships with national organisations, artists and producers.	Gloucester Roundhouse Exchange (GRHX) programme complete with strong relationships now existing amongst partners and the Roundhouse. All partner organisations are still in touch and able to ask advice. GCT has recruited a new Trustee from Lyric Hammersmith in London. New NPO's in the city are strengthening Gloucester's relationship with the Arts Council and will capture numbers in future	On track
	A.10 Empower local people through investment in grassroots arts activity. Deliver against mutually agreed health and wellbeing outcomes for residents, especially those who are particularly culturally disengaged, by working closely with them, as well as the NHS, Active Gloucestershire, Community Builders and others.	Number grassroots arts and cultural activities undertaken with disengaged communities with health and well-being outcomes.	Community Producer programme was a large success in producing new grassroots activities. 10 activities took place as a result of this programme  This success directly influenced GCT's NPO application. This programme has now been further developed and GCT will now recruit 6 new Community Connectors on a 3 year contract to enable grassroots activities.	On track
	A.11 Invest in Gloucester-based arts and heritage organisations to diversify and develop their participation and talent development programmes.	Organisations diversify and develop participation and talent programmes	No funding to invest in this, although GCT Strategic producer will be picking up this through NPO programme for GCT.	Planned

Objective	Action	KPI	Progress April 22 - March 2023	Progress RAG
4. Develop a vibrant city centre full of cultural activity and things to do	A.12 Work with local businesses, economic development bodies, arts and heritage organisations to commission and effectively promote a regular and diverse programme of high-quality outdoor arts events, including street arts and parades, using the city centre's fantastic array of outdoor spaces.	Number of outdoor arts events supported and commissioned	Delivered: Tall Ships Festival, Luminarium, Retro Festival, Bright Nights Festival commissioned Strike a Light, funded Voices Gloucester, Pride in Gloucestershire, Gloucester History	On track
	A.13 Work with the city's many heritage destinations and historic 'spaces' to develop a high profile, contemporary creative programme unique to Gloucester, regularly bringing together arts, heritage and local communities.	Number of arts and cultural activities in 'heritage' spaces	Process for capturing this data being developed and implemented from April 2023.	Planned
	A.14 Animate Kings Square as a revamped, lively, year-round cultural and public space, integrated into and a proud exhibitor of the cultural life of the city.	Number of cultural events taking place on Kings Square	Lauch event, Luminarium, Polish Heritage Day, Fillipino Cultural Celebration Day, Gloucester Goes Retro, The Music Works commissions for weekly music sessions, Christmas - Gloucester Tree of Light. Developing a multi-year funding bid and series of bids to a number of funders for programme development from 2023-2026.	On track
5. Develop audiences for all the cultural opportunities being created	A.15 Promote Gloucester's cultural offer more effectively: First, by researching, listening to and understanding current audiences to map demand, opportunities and gaps, and second, by raising investment for a long-term audience development action plan that addresses these findings.	1. Completion of map of demand 2. Completion of Audience development Action plan.	1. NPO funding for both Gloucester Guildhall and GCT requires reporting into audience demographics. Map of demand will emerge as data is gathered. 2. The City's NPOs will seek to collaborate on audience development plan to track growth and/or changes in audiences.	Planned
	A.16 Work with the city's and county's destination marketing organisations to develop a cultural tourism marketing strategy and campaign, collaborating with neighbouring towns and regions as appropriate, to attract visitors nationally and internationally.	Completion of a Marketing Plan for the promotion of Cultural tourism in the region.	Covid Recovery Marketing plan completed fo2021. Being rolled out during the first and second quarters of 2021. Tourism and Destination annual Marketing Plan incorporates marketing of cultural activity in the city. Eg. Tall Ships, Bright Nights, Luminarium, Knife Angel all promoted through Visit Gloucester in 2022	Completed / ongoing
6. Put Gloucester on the cultural map by developing high profile events	A.17 Building on existing local strengths, invest in and develop a portfolio and regular programme of regionally or nationally significant Signature Events, including Three Choirs Festival, Tall Ships, Gloucester History Festival, Kings Jam, Carnival and working with other programming partners such as Strike A Light.  (This builds upon the recommendations of the 2017 review of Gloucester's Festivals & Events)	Funding scheme in place to support development of key festivals, Festivals and Events funding issued by GCC. Annual report to GCC.	Investment into festivals and events in 2022 and planned in 2023. This was reported to Cabinet in Jan 2023.	Completed / ongoing
	A.18 Coordinate the city's calendar of festivals and events to facilitate better city-wide and long-term planning, as well as coordinated promotion of ambitious, high quality cultural festivals and events	Calendar of Festivals and Events maintained, updated and shared by F&E team.	Google calendar produced by GCC events team and being shared and populated for city-wide events co-ordination.	Completed / ongoing
	A.19 Monitor the funding model for festivals and events supported by the Council, to ensure it meets the needs of this Strategy, supports the growth of the local independent cultural sector and maximises the artistic, social and economic impact of those events.	Number of grants and/or amount of funding administered via grant applications process	Commissions and Commissions fund made available in . 4 grants administered by GCC Festivals and Events team in 2022 .	On track
	A.20 Building on the successes of the first five years of the Cultural Strategy, evaluate the potential impact and return on investment of a bid for UK City of Culture, if and when the conditions are right for the city, and the structure for delivering this goal.	Analysis of bid criteria for becoming a host city.	Decision taken to not apply this time. Revisit at later date to inform plans for applying at the next opportunity.	Paused

Objective	Action	KPI	Progress April 22 - March 2023	Progress RAG
<b>7. Make things happen to continue the momentum for change</b>	A.21 Strengthen the innovative Cultural Partnership that has been set up between Gloucester City Council and Gloucester Culture Trust to ensure this strategy is delivered, building on the achievements of the first five years. To do this, support the further strategic devolvement of culture to Gloucester Culture Trust, allowing the City Council to focus on its vital role in creating the conditions for culture to thrive.	Number of meetings between GCC and GCT Number of attendances of councillors at GCT board meetings.	Cabinet Member for Culture is a trustee of GCT and attends all board meetings (6). Head of Culture and GCT CEO meet regularly to enable coordinated approach to culture. (12 )	On track
	A.22 Connect this Cultural Partnership to networks and organisations across the city and beyond, to ensure a broad range of residents, artists and organisations can shape the city's cultural future. This will include developing the range of Cultural Forums and co-creation networks.	Number of Strategic Events Group meetings held	Strategic Events Group regularly meets Quarterly to share events and planning to enable a joined up approach. Further opportunity to develop a forum for creating connections and sharing are continuing to be explored.	On track
	A.23 Work with a wide range of strategic and funding partners who share our Vision (such as Arts Council England, University of Gloucestershire, NHS, GFirst LEP and major local businesses), to pool resources, generate greater investment in culture and ensure this strategy is resilient.	Amount of additional investment leveraged into Cultural activity by GCT and GCC	The latest Arts Council England (ACE), National Portfolio Organisations (NPO) have been announced. 3 Gloucester based organisations were successful with 2 more county-wide NPO's operating heavily in Gloucester. Direct Gloucester funding has increased by 760%. Previously £255,000 now £650,000.	On track
<b>8. Empower young people to create, experience and participate in culture</b>	A.24 Support young people to develop skills and leadership in arts and cultural production - identifying and providing training opportunities	Number of training opportunities provided for young people.	Jolt provides training opportunities through its programmes. 60 people took part in Creative Start Up business training with 50% under 30's.  Jolt incubation programs at full capacity with 29 participants (16 under 30).	On track
	A.25 Amplify the voices of young people, through encouraging youth-led publications, support on Youth boards and more widely	Number of young people on cultural boards. Number of youth-led publications. Number of youth-led initiatives.	Jolt's Colab young networking group has provided 12 meet ups and 4 events. Average attendance of 20 young people (under 30) attending.  15 participants on the Future Producers Course resulting in a high quality event.	On track
	A.26 Ensure there are opportunities for young people to participate in and create culture, through supporting, marketing and investing in youth led-programming	Amount invested into youth-led programming, marketing and promotion.	£5000 invested into the above programmes. Jolt's community outreach is providing effective marketing to the young demographic and is reaching a very diverse audience.	On track

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<b>Meeting:</b>	<b>Cabinet</b>	<b>Date:</b>	<b>8 March 2023</b>
<b>Subject:</b>	<b>Performance Monitoring Quarter 3 – 2022/23</b>		
<b>Report Of:</b>	<b>Cabinet Member for Performance and Resources</b>		
<b>Wards Affected:</b>	<b>All</b>		
<b>Key Decision:</b>	<b>No</b>	<b>Budget/Policy Framework:</b>	<b>No</b>
<b>Contact Officer:</b>	<b>Tanya Davies, Policy and Governance Manager</b>		
	<b>Email:</b>	<b><a href="mailto:tanya.davies@gloucester.gov.uk">tanya.davies@gloucester.gov.uk</a></b>	<b>Tel: 39-6125</b>
<b>Appendices:</b>	<b>1. Performance Report Quarter 3 – 2022/23</b>		

## FOR GENERAL RELEASE

### 1.0 Purpose of Report

- 1.1 The purpose of this report is to inform Members of the Council’s performance against key measures in Quarter 3 of 2022/23.

### 2.0 Recommendations

- 2.1 Cabinet is asked to **RESOLVE** that the Quarter 3 Performance Report 2022/23 at Appendix 1 be noted.

### 3.0 Background and Key Issues

- 3.1 This report sets out the Council’s performance against a set of key performance indicators (KPIs) in the first quarter of 2022/23.
- 3.2 Appendix 1 sets out the performance data, including comparative information where available, and a small number of new indicators have been included. Where it is available, 21 months’ worth of data is shown on the charts to show trends, including the same period of the previous year. Where targets exist, these have been included along with a narrative to explain the data. A red (alert) threshold is included in some charts. Where performance is monitored as part of a contract, targets and red thresholds are set and revised as part of that process, where this is not the case and there is also no national target available, these have been determined during the service planning process in consultation with the relevant Cabinet Member.
- 3.3 As a result of the cyber incident experienced by the council in December 2021, financial monitoring continues to be conducted separately and data on planning applications continues to be estimated. Performance monitoring of compliant food premises has recommenced this quarter, though it cannot be categorised by short term trend this quarter due to the missing data periods.
- 3.4 The summary of KPIs is categorised by Short Term Trend. Of the 26 measures with trend data available, 15 measures have improved in the short term and 1 has not

changed. Of the 9 measures that have worsened in the short term, only 2 are red, and the remaining 7 are green and therefore still on or above target. Overall, there are 14 measures at green, 1 at amber and 2 at red. There are 6 data only performance indicators.

#### **4.0 Social Value Considerations**

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

#### **5.0 Environmental Implications**

5.1 There are no environmental implications in respect of the recommendations in this report.

#### **6.0 Alternative Options Considered**

6.1 There are no alternative options.

#### **7.0 Reasons for Recommendations**

7.1 The council is committed to embedding a culture of Performance Management across the organisation and this report provides Members with an overview of corporate performance during the first quarter of 2022/23.

#### **8.0 Future Work and Conclusions**

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

#### **9.0 Financial Implications**

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

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

#### **10.0 Legal Implications**

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

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

#### **11.0 Risk & Opportunity Management Implications**

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

#### **12.0 People Impact Assessment (PIA) and Safeguarding:**

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

### **13.0 Community Safety Implications**

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

### **14.0 Staffing & Trade Union Implications**

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


**Background Documents:** None

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# Gloucester City Council Quarterly Performance Report



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

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

## Short Trend Improving

PI Code	Measure	Status	Short Term Trend	Long Term Trend
CCM-2	Number of enviro-crime FPNs issued			
CD & VE-1	Museum of Gloucester/TIC Footfall			
CS-1	Total number of customer service interactions (calls/emails/report it/face to face)			
CS-11	Number of complaints			
CS-15	Percentage of customers satisfied with the service received across the council			
CS-7	Average customer waiting time (telephone)			
CWB-1	Number of environmental health service requests			
CWB-2	Percentage of environmental health service requests responded to within 3 working days			
H-10	Average number of new households placed in temporary accommodation			
H-11	Average number of households in B&B Per Month			
H-15	Number of Homeseeker applications received			
H-16A	Percentage of Homeseeker applications assessed within 6 weeks			
H-4	Number of successful homeless preventions			
TM-6	Number of unique visitors to website visitgloucester.co.uk			
WR-31	Percentage of total waste recycled			

## Short Trend No Change

PI Code	Measure	Status	Short Term Trend	Long Term Trend
H-12	Average number of households with children placed in B&B temporary accommodation with shared facilities for over 6 weeks			

## Short Trend Getting Worse

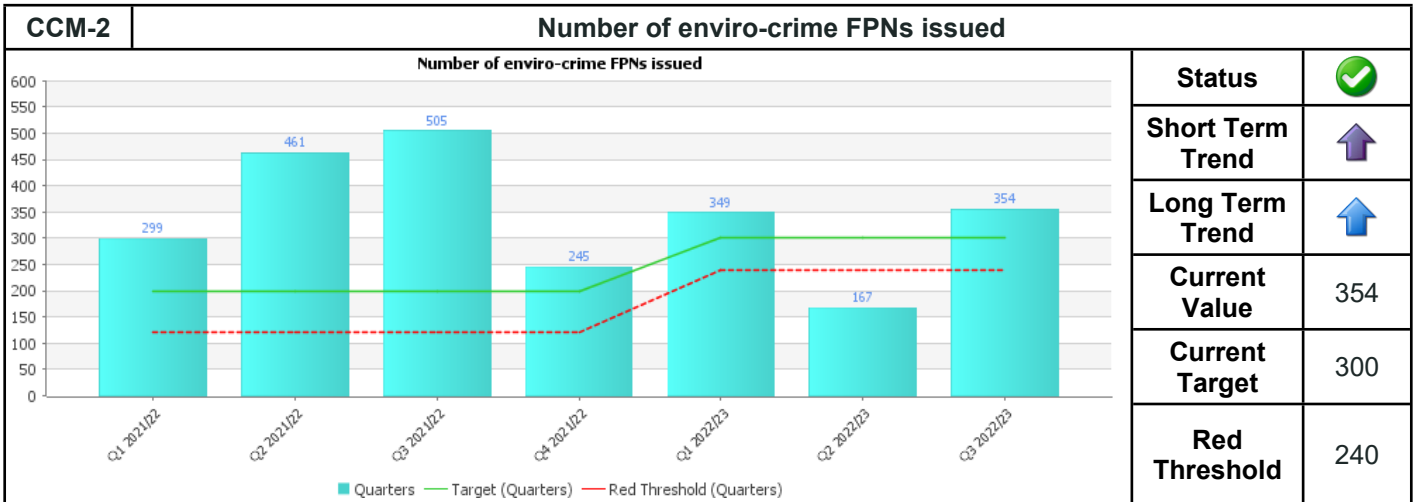
PI Code	Measure	Status	Short Term Trend	Long Term Trend
CS-13	Percentage of complaints that escalate to stage 2			
CWB-33	Number of ASB interventions by Solace			
DM-2	Percentage of major applications where decisions were made within the agreed timescale or agreed extended period.			
DM-3	Percentage of minor applications where decisions were made within the agreed timescale or agreed extended period.			
H-25	Number of affordable homes delivered, including affordable rent, social rent, rent to homebuy, shared ownership, and low cost home ownership			
HR-3	Staff Absence Rate			
PG-24	Percentage of information governance responses (FOI/EIR,DPA,SAR) compliant with statutory deadlines			
WR-13	Percentage of domestic waste collected on time			
WR-15	Percentage of Recycling Receptacles collected on time			

## Cannot group these rows by Short Trend

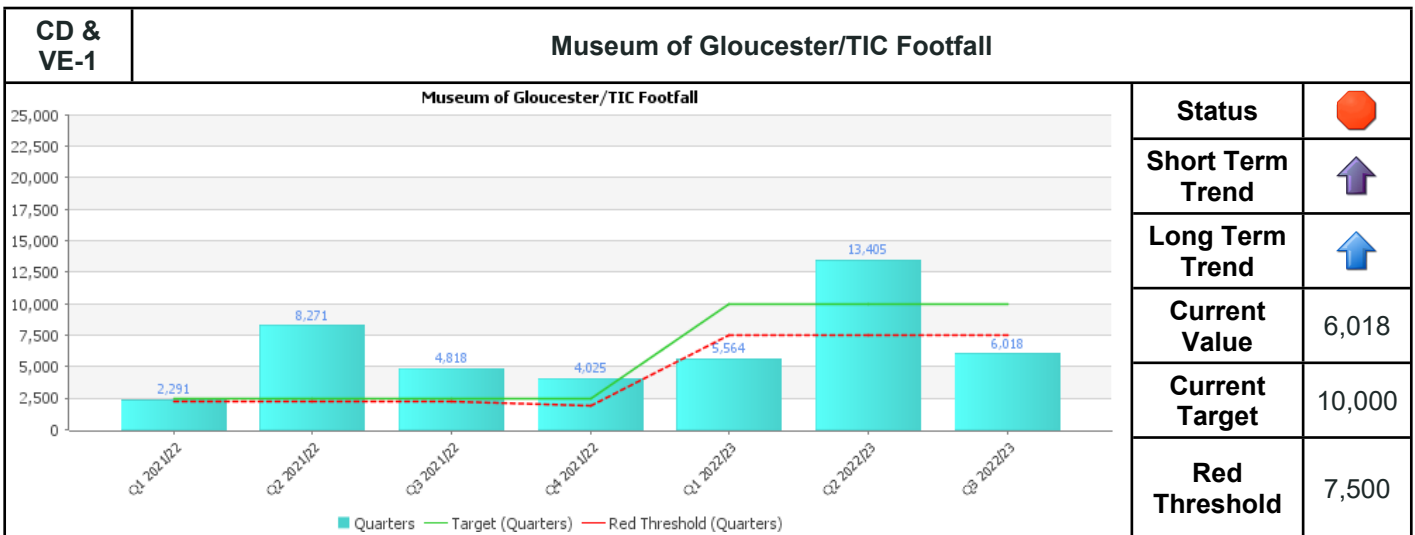
PI Code	Measure	Status	Short Term Trend	Long Term Trend
CWB-13	Percentage of compliant food premises			

## Quarter 2 Data Not Accessible

PI Code	Measure
F-7	Financial Outturn vs. Budget



Following some recruitment issues earlier this quarter, we are pleased to see that the number of FPNs issued by 3GS increased and exceeded the targets. This also coincided with increased footfall over the Christmas period which may have contributed to the higher figures.

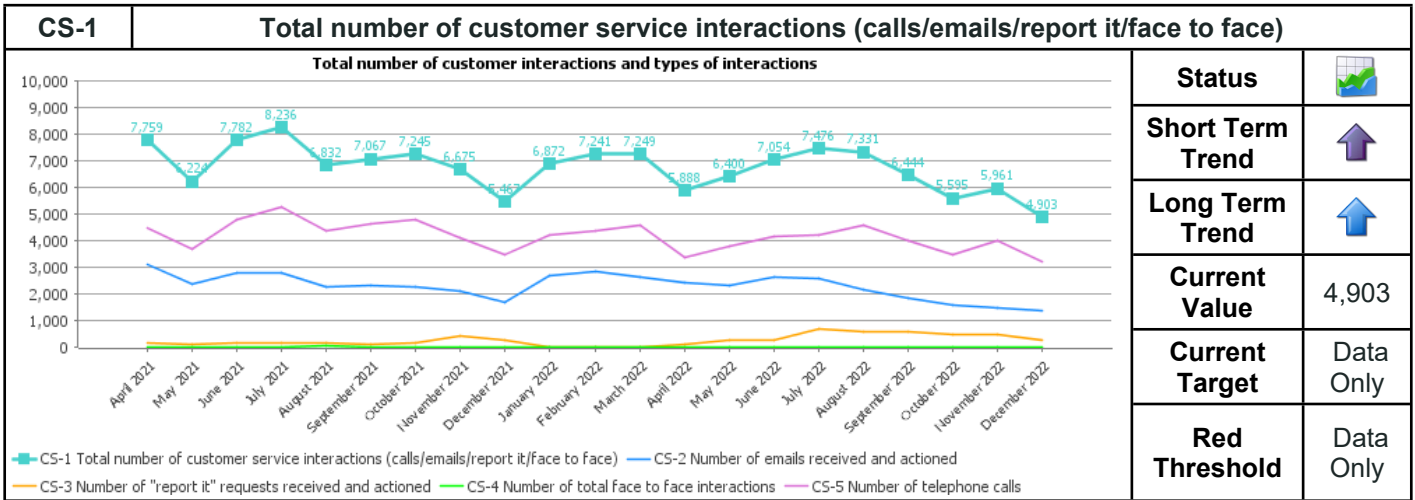


Footfall breakdown:  
 October - 3275 (Half Term - 24th-28th)  
 November - 1308  
 December - 1435 (closed 24th-27th December)

Lego workshops, Halloween and Half Term contributed to a good level of footfall in October. November was slower than originally hoped for but looking at previous years, there appears to be a consistent dip each November. December started off slow but saw a good increase in footfall between Christmas and New Year where over a 4 day period (28th-31st), the Museum saw 525 visitors.

In the latest ALVA (Association of Leading Visitor Attractions) audience sentiment research, 49% of households with children are likely to be making cutbacks to day trips. A third said they are less likely to visit paid attractions, particularly as there is perception that paid attractions are getting more expensive.

However, the exhibition programme reached it's income target for the 22/23 by the end of December 2022 leaving the remaining 3 months of the financial year to contribute towards other income areas.

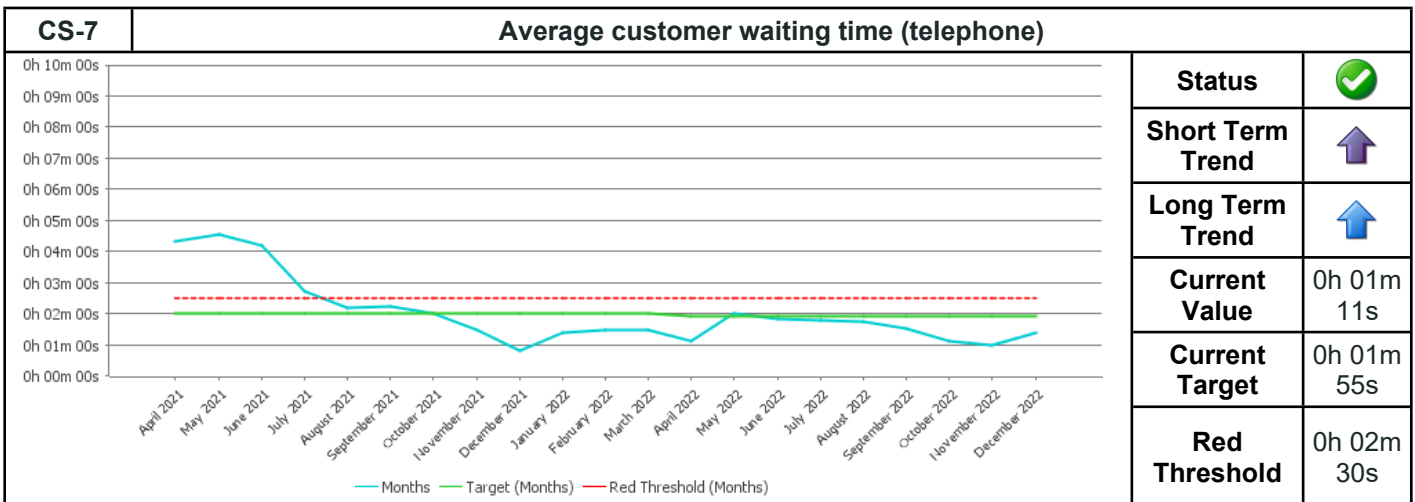


In Qt3 22/23 we handled 16459 contacts in Customer Services. These were made up of the following:

- Telephone Calls – 10745
- Emails – 4441
- Report It enquiries – 1272
- F2F interactions – 1 (this is for Customer Services only)

Qt3 is historically a quieter quarter with the Christmas period. At times, during this quarter, we have continued to see an increase in emails and calls that have been generated through to Customer Service in regard to Council Tax queries, especially with recovery action recommencing. Whilst the Customer Service team signpost customers to the correct team to support customers with these queries, we do get some initial contact made to our team. In addition, due to weather we saw an increase in missed bin queries in December.

Report It is being actively promoted externally and also internally for officers to record queries. We have also continued to promote the Contact Us which has helped reduce down the unstructured email contacts that come in to Here to Help with the query now being sent directly to the department who can resolve these.



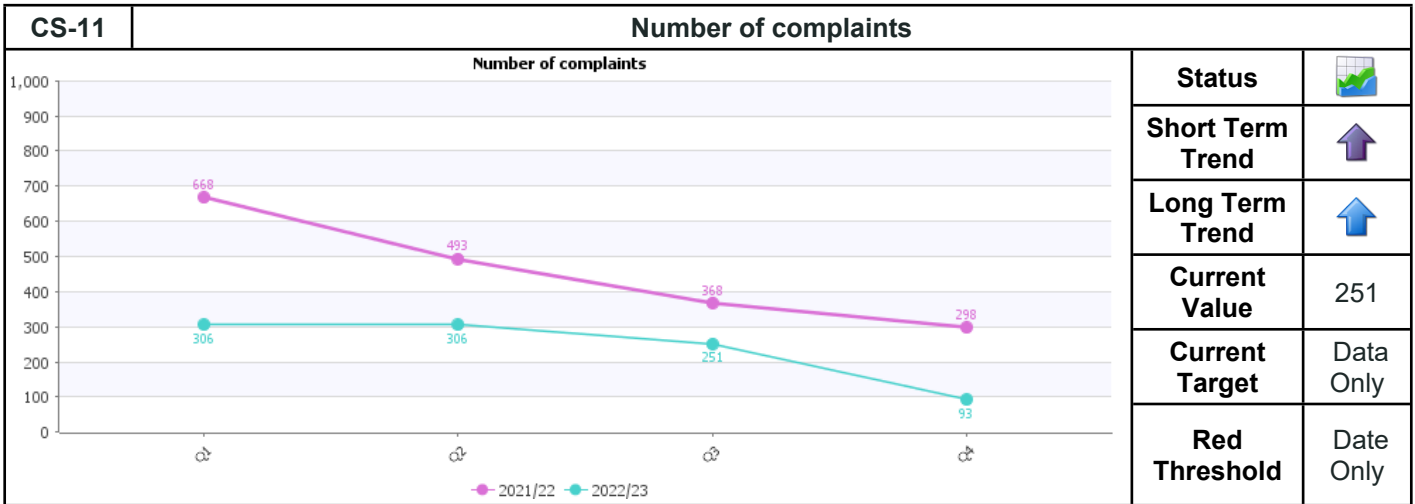
For Qt3 2022/23 the average wait time for calls to be answered was 1m 11s. Our target is to be below 1m 55s.

In this quarter we have secured a fixed term maternity cover for a member of staff who is on maternity leave. This is for a 6 month role and we still been able to maintain a below target average wait time whilst working to get them trained up. We have concentrated getting them fully trained on digital processes and started on telephone calls.

We switch our resource throughout each day, from handling emails, triaging Report It and Contact us enquiries and taking calls, to maintain a good level of call and enquiry handling and to reduce the wait time as much as is possible.

We have been able to continue to work with the Transformation Team on implementing further iterations of changes previously put in place for some processes and this is ongoing but has been impacted by the cyber incident.

For comparison, Qt3 average wait time for 2021/22 was 1m 27s so we have been able to reduce this. The increase in online services has supported this.

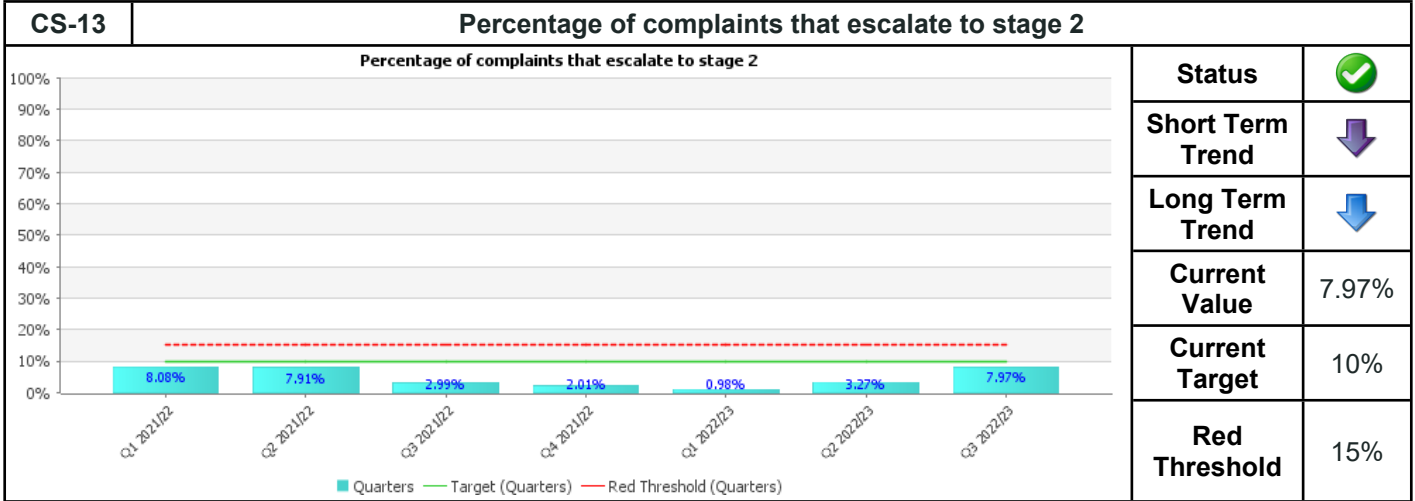


For Qt3 (Oct-Dec) we recorded 57 complaints from Granicus for general complaints plus 194 recorded for Ubico, so a total of 251 complaints were logged. Of these, 20 were stage 2 complaints.

In October 2022 the total number of complaints for services received across all departments that we can report on was 72 (including 1 that was stage 2) with 60 (83%) of the complaints being recorded for Ubico.

In November we recorded 76 complaints across all services (including 11 that were stage 2) with 54 of these being for Ubico (71%).

In December we recorded 103 complaints for all services (including 8 which were stage 2), 80 were for Ubico (78%).



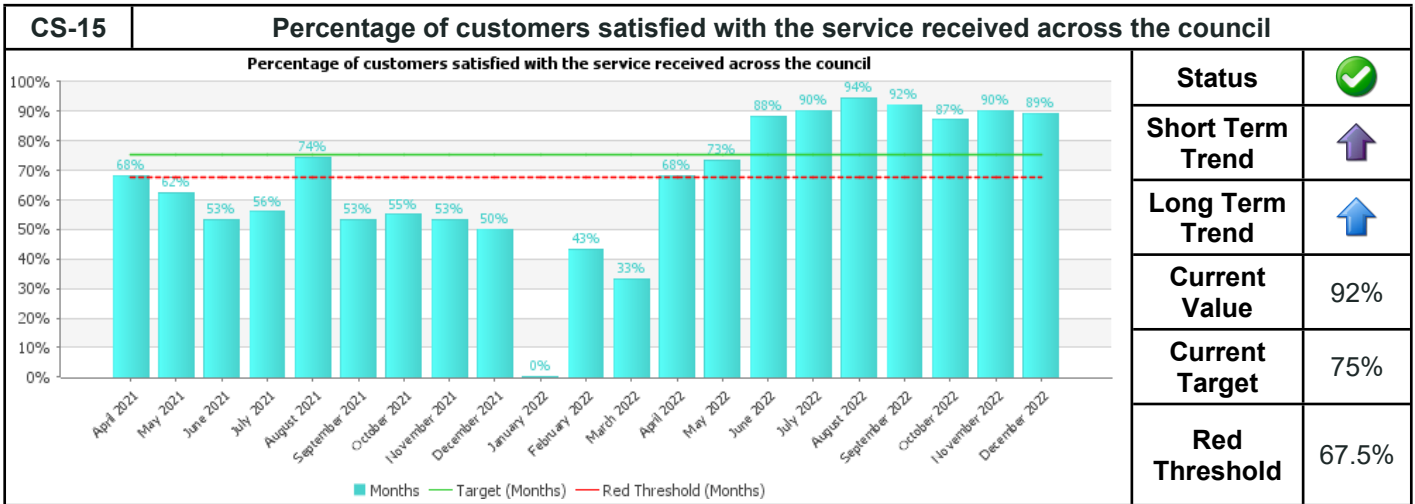
For Qt3 22/23 (Oct - Dec) we recorded 251 complaints, of which 20 of these were stage 2. This is 7.97% of all complaints.

In Oct 2022 the total number of complaints for services received across all departments that we can report on was 72 (including 1 that was stage 2). 60 (83%) of the complaints being recorded for Ubico.

In November we recorded 76 complaints across all services (including 11 that were stage 2). 54 of complaints being for Ubico (71%).

In December we recorded 103 complaints for all services (including 8 which were stage 2). 80 of complaints for Ubico (78%).

For comparison in Q3 21/22 the total number of complaints raised on our systems for all council departments was 368. Of these, 334 were for Urbaser (contractor at the time) (91%). 11 of the total complaints across departments were logged as stage 2. This was 2.99%. (it should be noted that due to the cyber incident not all data was available).



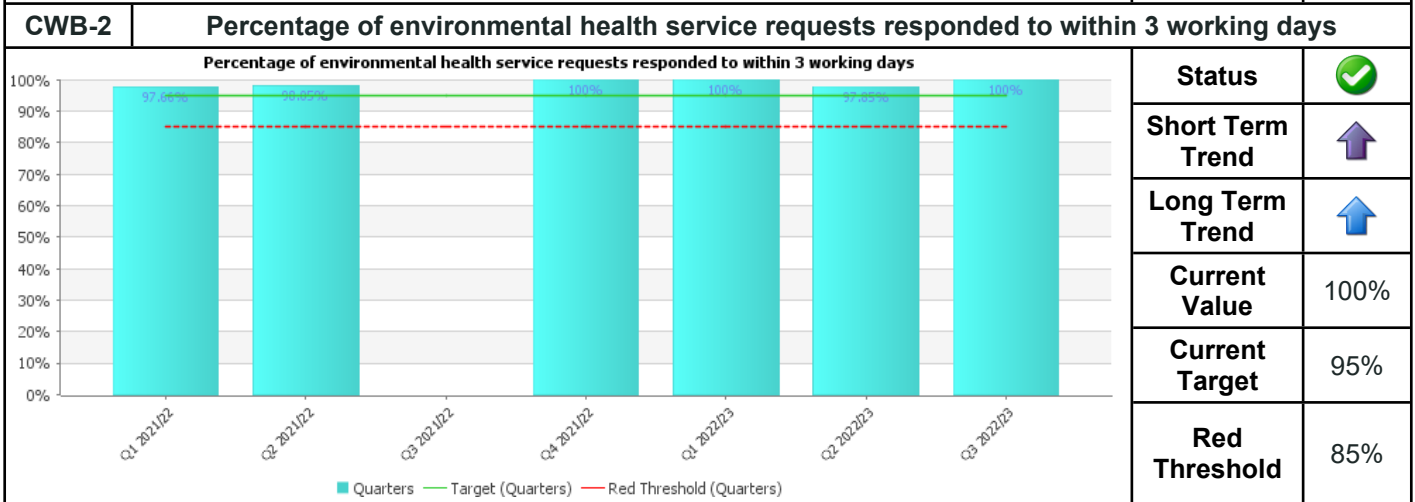
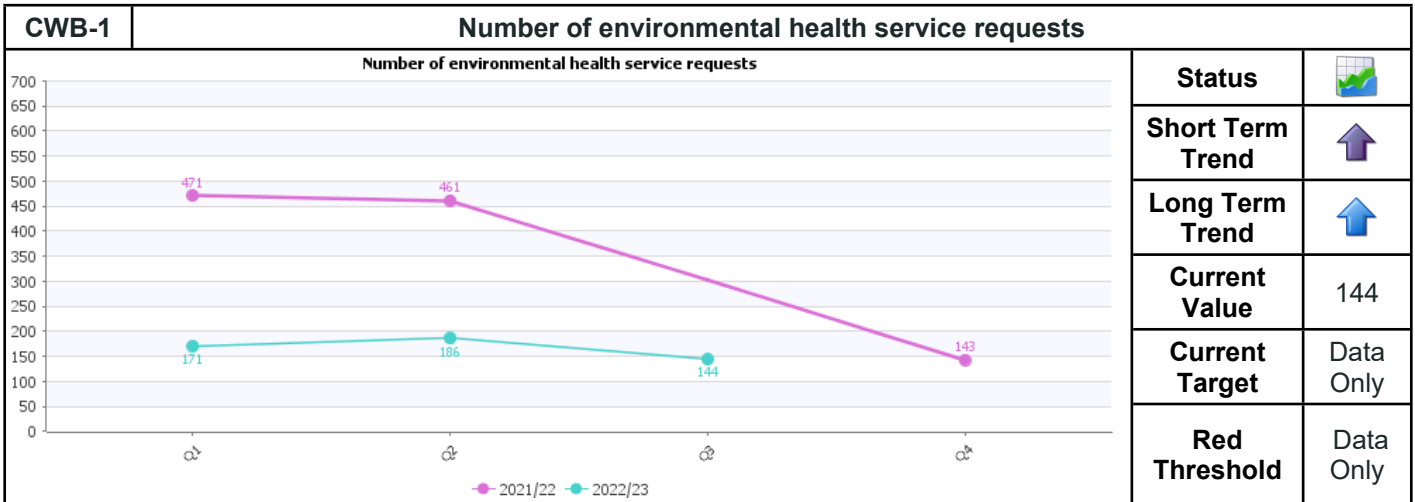
In Q3 22/23 we received back a total of 850 feedback responses from surveys and online forms and of these 756 categorized that they were either very satisfied, satisfied or neither satisfied nor dissatisfied. This was a quarterly satisfaction percentage of 89%.

In October we had a total 254 responses, **222** customers said that overall, they were **very satisfied, satisfied or neither satisfied or dissatisfied (or selected the equivalent rating on the Self form)** with our service (87%)

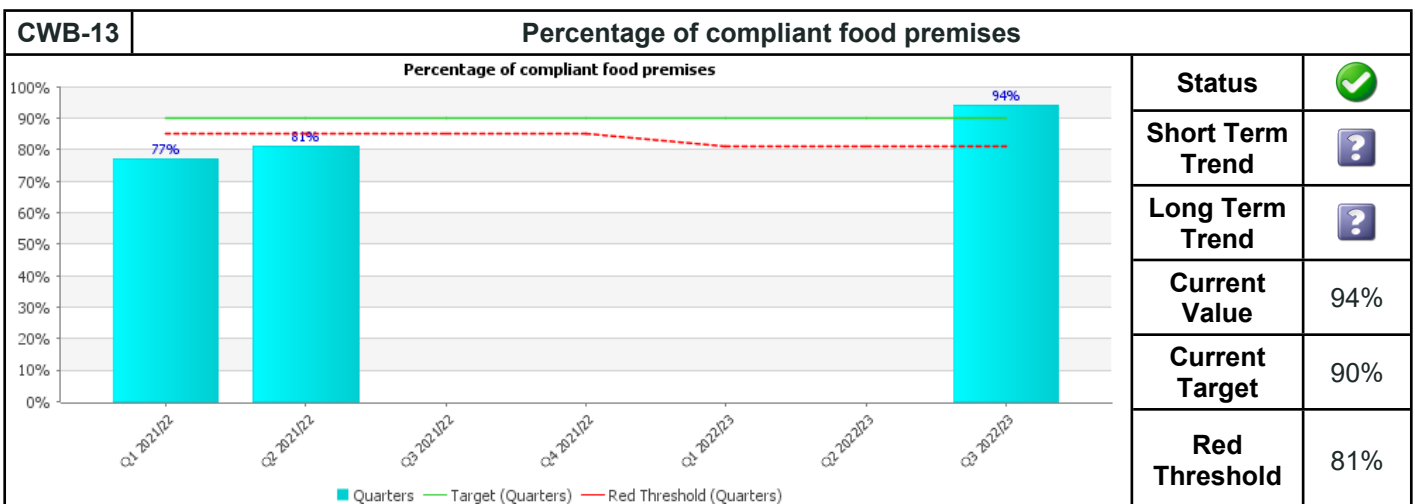
In November we had a total 306 responses, **275** customers said that overall, they were **very satisfied, satisfied or neither satisfied or dissatisfied (or selected the equivalent rating on the Self form)** with our service (90%).

In December we had a total 290 responses, **259** customers said that overall they were **very satisfied, satisfied or neither satisfied or dissatisfied (or selected the equivalent rating on the Self form)** with our service (89%).

We have been able to expand the number of processes that can be done online and as such we feel it would be beneficial to report back on, not only the Customer Feedback forms but also the Self feedback forms that customers are asked to complete once they have used our online functions.

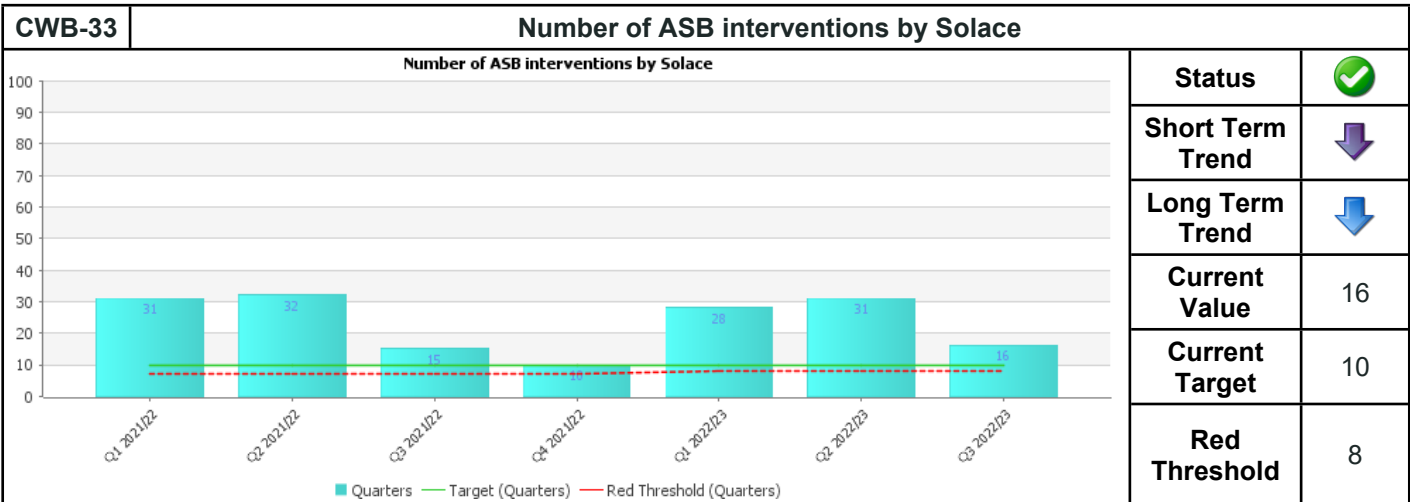


Data reflects the reduction in requests for service due as expected due to seasonal changes, (during the Autumn & Winter most residents have got their windows shut reducing the impacts of external environmental issues). As systems gradually recover from the cyber incident we continue to record service requests on our alternate back up system until the Idox Uniform System becomes fully operational allowing officers to respond to requests for service within the expected times. Residents continue to benefit from the improved 'contact us ' online service as well as reaching the team directly through telephone, email and written communication.



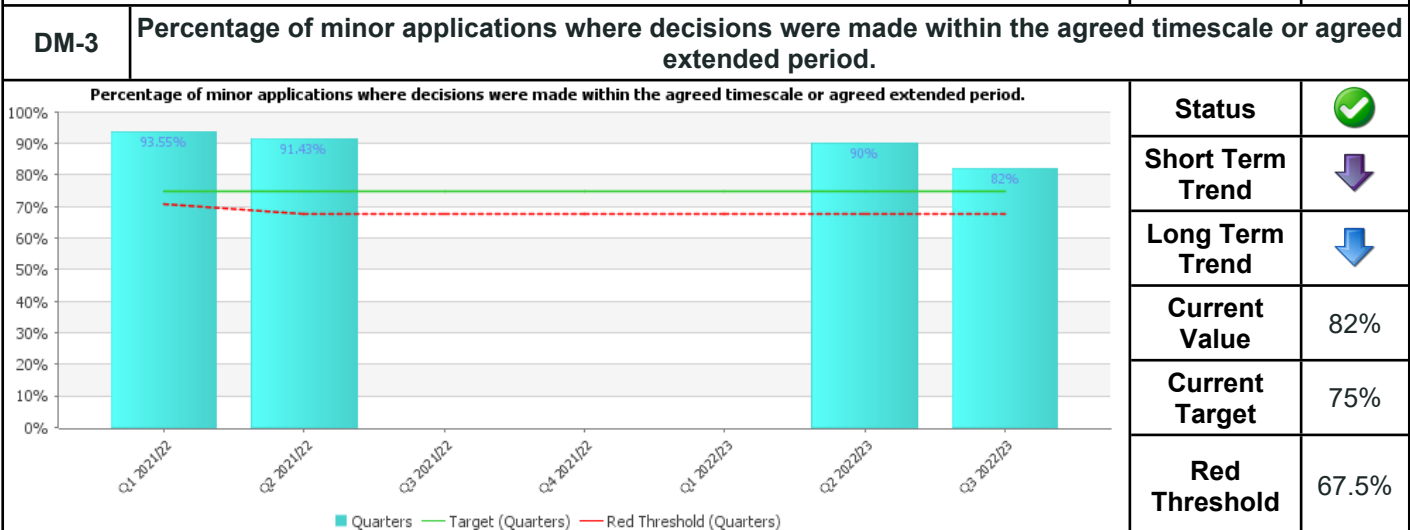
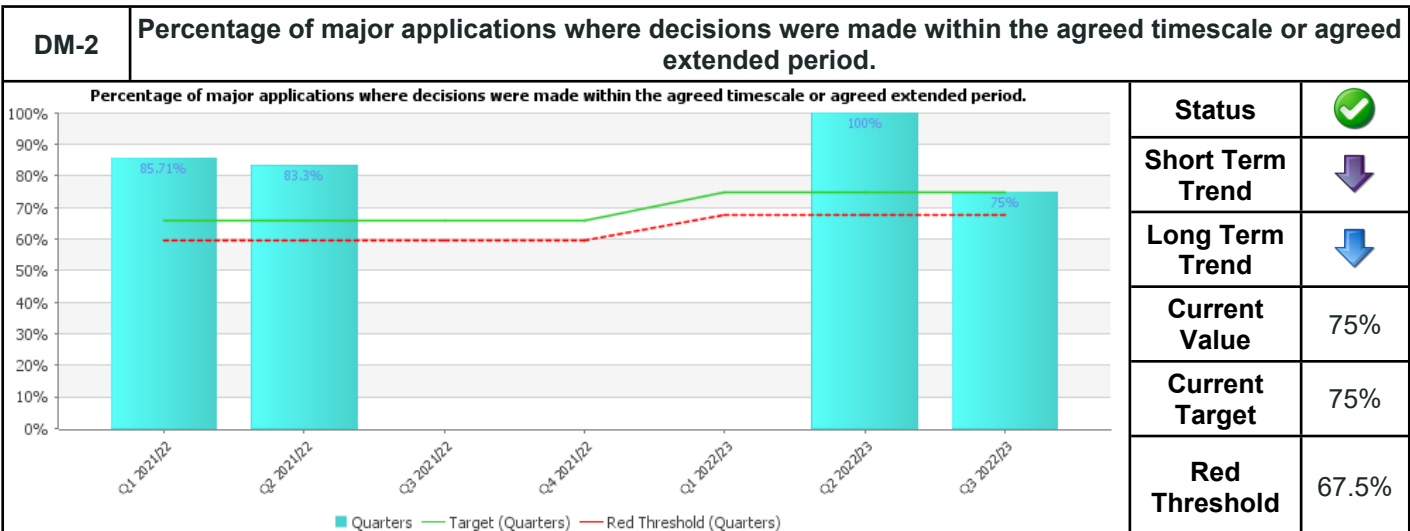
We are pleased that systems have now been restored to enable recording and reporting to resume in this area. Officers have continued to inspect food premises during the past quarter and anecdotally have continued to see high levels of compliance across the City. Any businesses that do not meet the high standard we expect have been given advice and support to raise the standards as soon as possible.





This data can be broken down as follows:

- New cases of ASB (16)
- Risk Assessments completed within 3 days of a report being received (14)
- Complainants responded to within 3 days of their complaint (16)
- Number of cases with joint/multi agency working (4)
- Cases resolved without legal action (6)
- Number of cases closed without action or referred on (6)



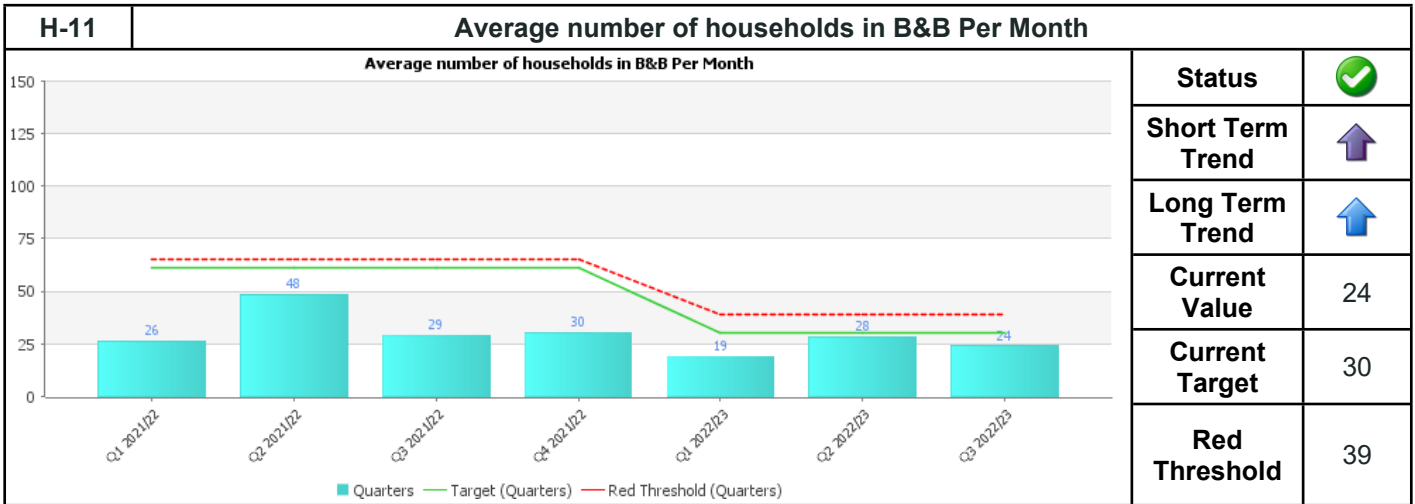
We still do not have previous data available due to the cyber incident. All the data is in the process of being input into Uniform so the date for all 4 quarters will be available by the end of Q4. It is estimated that the target for this performance indicator will be exceeded. For the last reporting period, the values provided are best estimates based on the temporary reporting processes.



<b>F-7</b>	<b>Financial Outturn vs. Budget</b>
This will be reported in the quarterly financial monitoring report only until the data is more readily available.	

<b>H-4</b>	<b>Number of successful homeless preventions</b>															
<table border="1"> <caption>Number of successful homeless preventions</caption> <thead> <tr> <th>Year</th> <th>Q1</th> <th>Q2</th> <th>Q3</th> <th>Q4</th> </tr> </thead> <tbody> <tr> <td>2021/22</td> <td>116</td> <td>48</td> <td>64</td> <td>68</td> </tr> <tr> <td>2022/23</td> <td>45</td> <td>58</td> <td>67</td> <td>67</td> </tr> </tbody> </table>		Year	Q1	Q2	Q3	Q4	2021/22	116	48	64	68	2022/23	45	58	67	67
Year	Q1	Q2	Q3	Q4												
2021/22	116	48	64	68												
2022/23	45	58	67	67												
<table border="1"> <tr> <td><b>Status</b></td> <td></td> </tr> <tr> <td><b>Short Term Trend</b></td> <td></td> </tr> <tr> <td><b>Long Term Trend</b></td> <td></td> </tr> <tr> <td><b>Current Value</b></td> <td>67</td> </tr> <tr> <td><b>Current Target</b></td> <td>Data Only</td> </tr> <tr> <td><b>Red Threshold</b></td> <td>Data Only</td> </tr> </table>		<b>Status</b>		<b>Short Term Trend</b>		<b>Long Term Trend</b>		<b>Current Value</b>	67	<b>Current Target</b>	Data Only	<b>Red Threshold</b>	Data Only			
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<b>Current Value</b>	67															
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<b>Red Threshold</b>	Data Only															
<p>For Qtr 3 2022/23 there have been an increase of preventions (67) compared to Qtr 1 &amp; 2 2022/23 although preventions slowed down during November &amp; December</p> <p>October - 37</p> <p>November - 19</p> <p>December - 11</p>																

<b>H-10</b>	<b>Average number of new households placed in temporary accommodation</b>															
<table border="1"> <caption>Average number of new households placed in temporary accommodation</caption> <thead> <tr> <th>Year</th> <th>Q1</th> <th>Q2</th> <th>Q3</th> <th>Q4</th> </tr> </thead> <tbody> <tr> <td>2021/22</td> <td>150</td> <td>36</td> <td>28</td> <td>36</td> </tr> <tr> <td>2022/23</td> <td>32</td> <td>30</td> <td>19</td> <td>36</td> </tr> </tbody> </table>		Year	Q1	Q2	Q3	Q4	2021/22	150	36	28	36	2022/23	32	30	19	36
Year	Q1	Q2	Q3	Q4												
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<b>Status</b>																
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<b>Long Term Trend</b>																
<b>Current Value</b>	19															
<b>Current Target</b>	Data Only															
<b>Red Threshold</b>	Data Only															
<p>This PI has recently been amended as previously the question was the average number of households in temporary accommodation (not B&amp;B). The PI now relates to the average number of new households in temporary accommodation. This is to help us understand the demand for New placements and monitor new presentations with temporary accommodation needs.</p> <p>Average placed 19</p> <p>For Oct 22 number of new families placed 13 &amp; singles placed 16</p> <p>For Nov 22 number of new families placed 6 &amp; singles placed 6</p> <p>For Dec 22 number of new families placed 1 &amp; singles placed 15</p>																



During Qtr 3 we had an average of 24 households in B&B shared accom

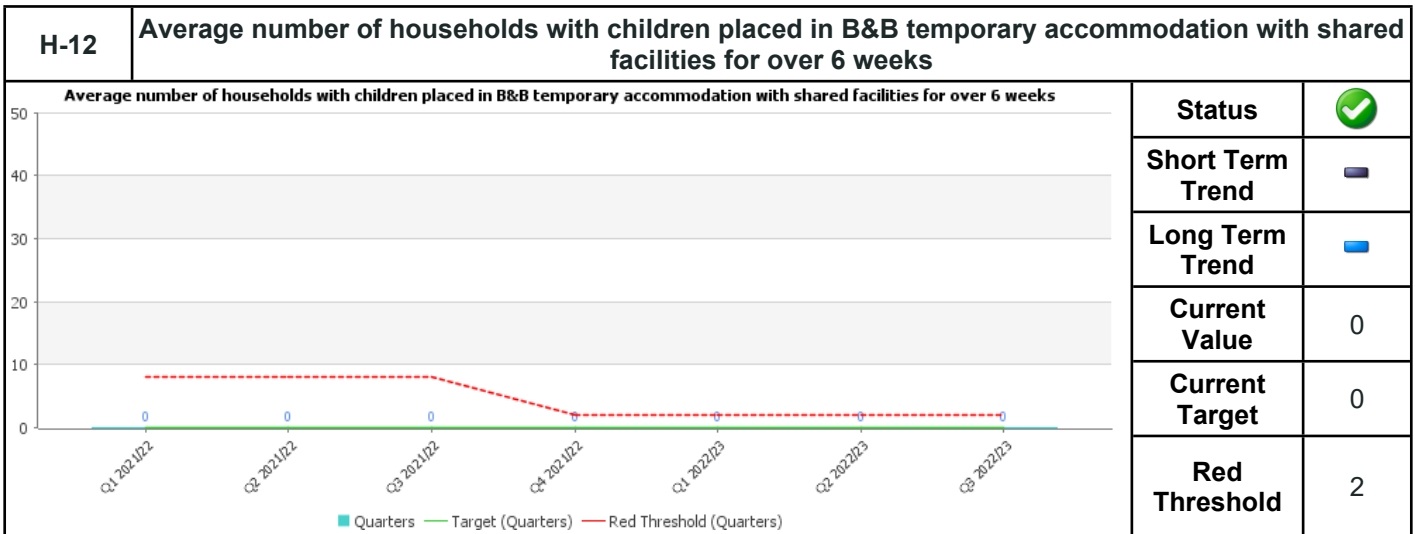
During Oct 22 there was 17 households in B&B (16 -single & 1 Family)

During Nov 22 there was 23 households in B&B (18 - single & 5 Families)

During Dec 22 there was 32 households in B&B (25 - single & 7 family)

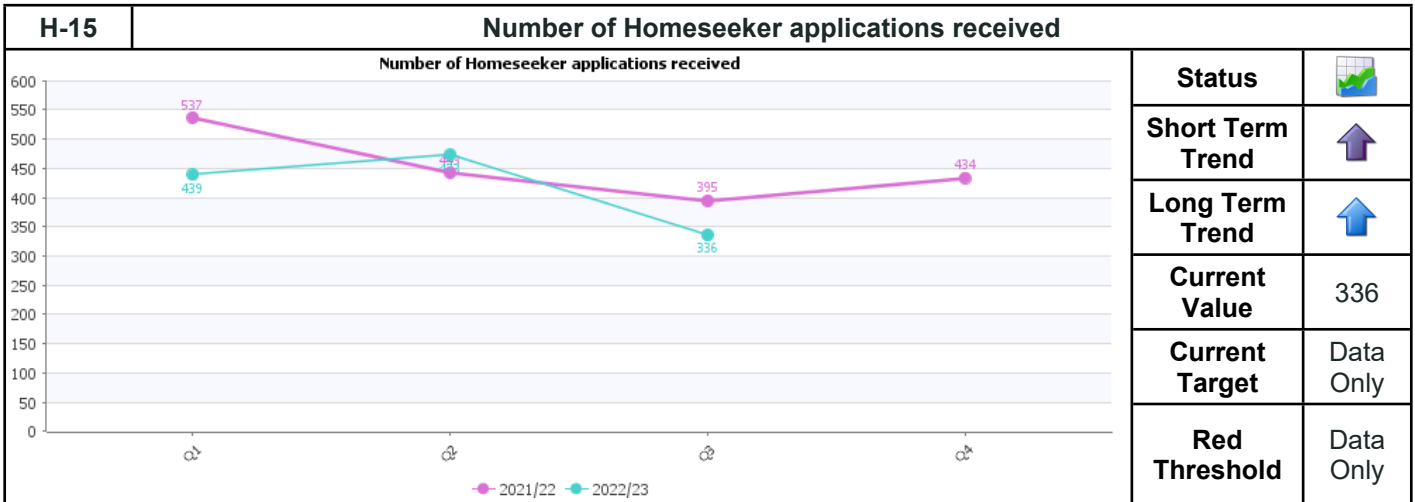
This figure is created by calculating the average number of households in B&B accommodation across the quarter, rather than using the actual figure on the last day of the quarter

There was an increase in Dec due to SWEP (Severe Weather Emergency Protocol) being in place from 06.12.22-19.12.22



In Qtr 3 we continued to see a positive picture in the number of families in B&B over 6 weeks. The 'Bed and Breakfast Taskforce' meetings continue to closely focus on finding move-on options for those that already had an 'accepted' homeless decision; or for those in temporary accommodation who were unlikely go on to be owed a 'full duty' giving the local authority full obligations to rehouse.

This is an average measure, however, we did not have any families breaching the 6 week mark.



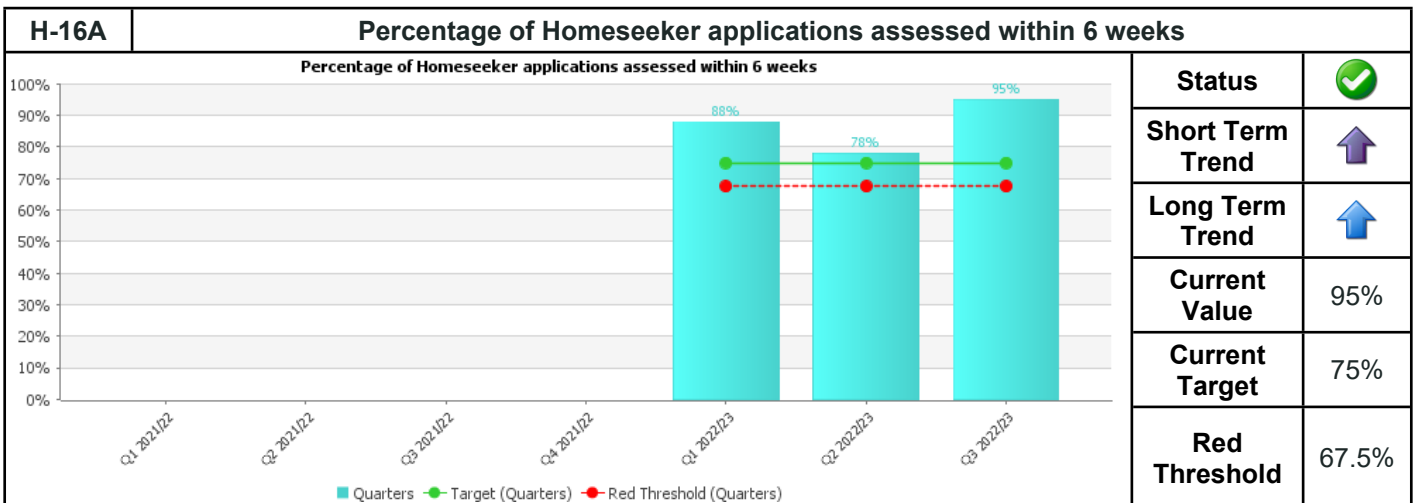
The number of Homeseeker applications received has reduced this quarter

Oct 22 - 127

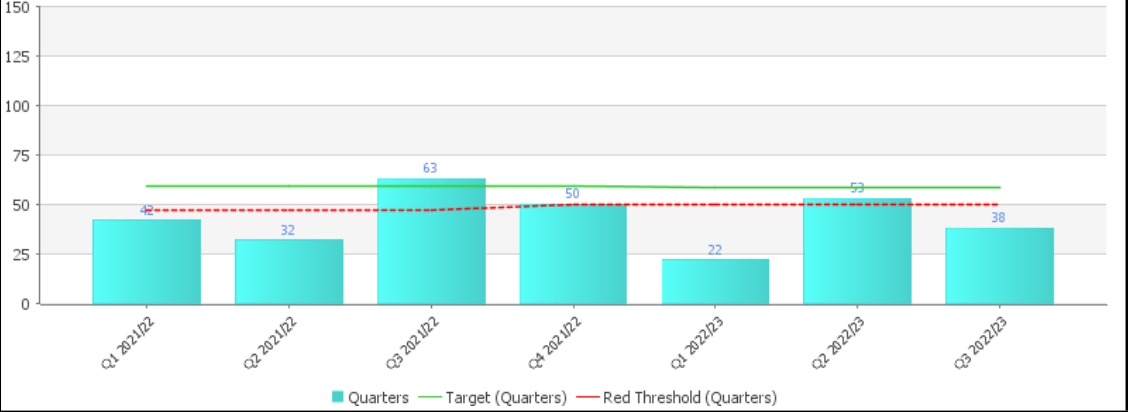









Nov 22 - 123

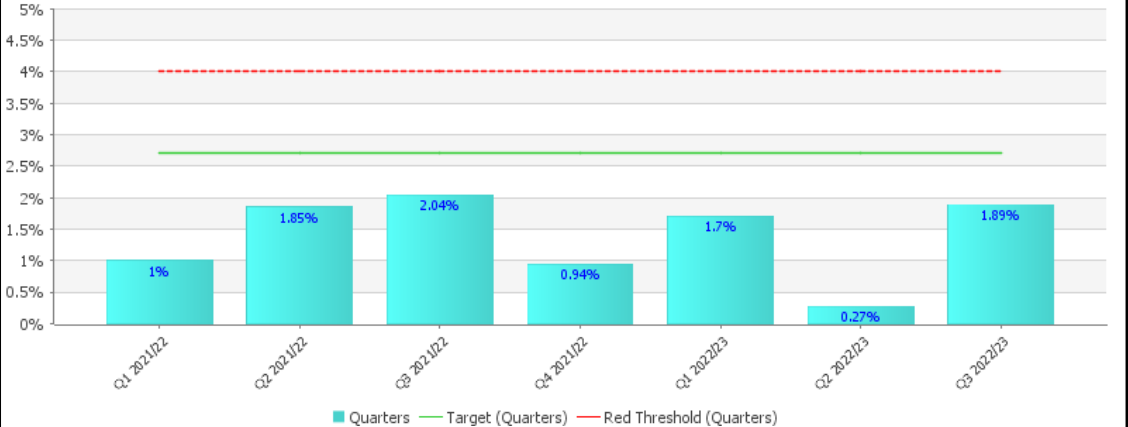









Dec 22 - 86

This PI relates to new applications and does not include changes of circumstances of current applicants.

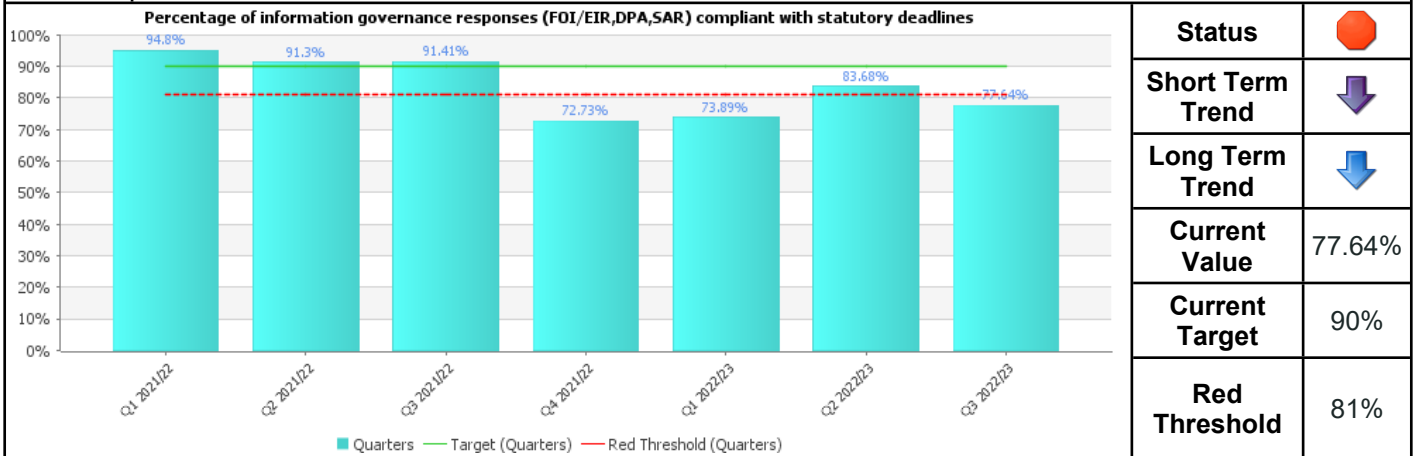


For Qtr 3 22/23 we received 953 applications of which 902 were assessed within 6wks – 95%. This is a vast improvement on previous quarters and far exceeds our targets. This is due to a change in a way the work is resourced within the team.

H-25	Number of affordable homes delivered, including affordable rent, social rent, rent to homebuy, shared ownership, and low cost home ownership																													
<p data-bbox="116 215 1174 253">Number of affordable homes delivered, including affordable rent, social rent, rent to homebuy, shared ownership, and low cost home ownership</p>  <table border="1" data-bbox="92 253 1225 663"> <caption>Number of affordable homes delivered</caption> <thead> <tr> <th>Quarter</th> <th>Value</th> </tr> </thead> <tbody> <tr><td>Q1 2021/22</td><td>42</td></tr> <tr><td>Q2 2021/22</td><td>32</td></tr> <tr><td>Q3 2021/22</td><td>63</td></tr> <tr><td>Q4 2021/22</td><td>50</td></tr> <tr><td>Q1 2022/23</td><td>22</td></tr> <tr><td>Q2 2022/23</td><td>53</td></tr> <tr><td>Q3 2022/23</td><td>38</td></tr> </tbody> </table>		Quarter	Value	Q1 2021/22	42	Q2 2021/22	32	Q3 2021/22	63	Q4 2021/22	50	Q1 2022/23	22	Q2 2022/23	53	Q3 2022/23	38	<table border="1"> <tr><td>Status</td><td></td></tr> <tr><td>Short Term Trend</td><td></td></tr> <tr><td>Long Term Trend</td><td></td></tr> <tr><td>Current Value</td><td>38</td></tr> <tr><td>Current Target</td><td>58.5</td></tr> <tr><td>Red Threshold</td><td>50</td></tr> </table>	Status		Short Term Trend		Long Term Trend		Current Value	38	Current Target	58.5	Red Threshold	50
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<p data-bbox="92 674 1503 817">Thirty-eight Homes were completed in Quarter two. Twelve homes due for completion at Secunda Way in this quarter are now expected to complete in Quarter 4. The final out turn for the year is estimated at 252 Affordable Homes. Of the Affordable homes completed in the quarter 11 were M43b standard. Nine homes were 3 bed houses, 1 Affordable Rent and 8 shared ownership. One 4 bed house was completed for Shared Ownership, this was purchased using grant by Platform Housing.</p>																														

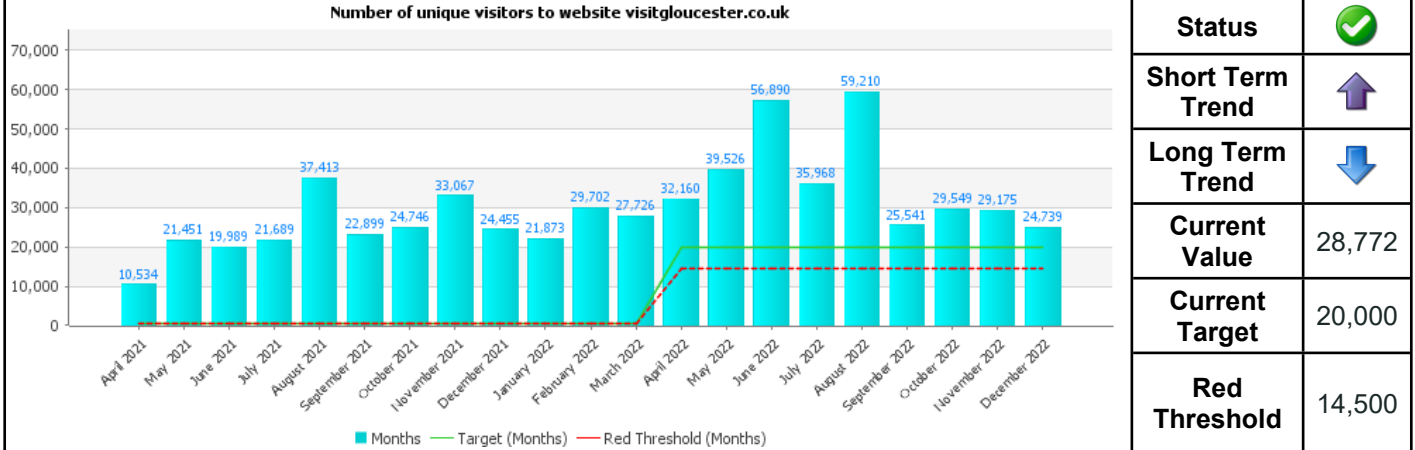
HR-3	Staff Absence Rate																													
<p data-bbox="571 920 730 936">Staff Absence Rate</p>  <table border="1" data-bbox="92 936 1225 1361"> <caption>Staff Absence Rate</caption> <thead> <tr> <th>Quarter</th> <th>Value</th> </tr> </thead> <tbody> <tr><td>Q1 2021/22</td><td>1%</td></tr> <tr><td>Q2 2021/22</td><td>1.85%</td></tr> <tr><td>Q3 2021/22</td><td>2.04%</td></tr> <tr><td>Q4 2021/22</td><td>0.94%</td></tr> <tr><td>Q1 2022/23</td><td>1.7%</td></tr> <tr><td>Q2 2022/23</td><td>0.27%</td></tr> <tr><td>Q3 2022/23</td><td>1.89%</td></tr> </tbody> </table>		Quarter	Value	Q1 2021/22	1%	Q2 2021/22	1.85%	Q3 2021/22	2.04%	Q4 2021/22	0.94%	Q1 2022/23	1.7%	Q2 2022/23	0.27%	Q3 2022/23	1.89%	<table border="1"> <tr><td>Status</td><td></td></tr> <tr><td>Short Term Trend</td><td></td></tr> <tr><td>Long Term Trend</td><td></td></tr> <tr><td>Current Value</td><td>1.89%</td></tr> <tr><td>Current Target</td><td>2.7%</td></tr> <tr><td>Red Threshold</td><td>4%</td></tr> </table>	Status		Short Term Trend		Long Term Trend		Current Value	1.89%	Current Target	2.7%	Red Threshold	4%
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Red Threshold	4%																													
<p data-bbox="92 1373 1503 1552">We have seen an increase in our absence rate for quarter 3 2022/23 to 1.89% from 0.27% reported in quarter 2. Overall, our absence levels remain below our target. Managers receive detailed support from the Employee Relations Team for longer term and more complex cases and receive in-depth management information on a monthly basis covering absence trends at a service level plus detail of those hitting the absence trigger point. Managers are proactively encouraged to seek early advice from both the HR Advice line and Occupational Health Manager's helpline regarding any cases of concern to ensure appropriate support and intervention is in place.</p>																														

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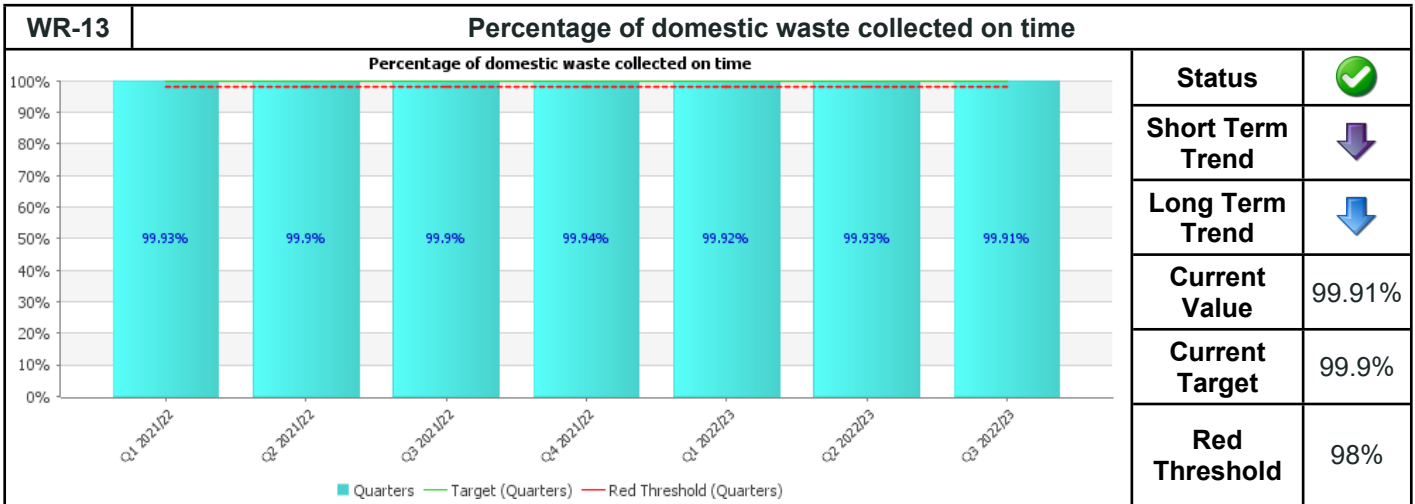


The aim is to respond to all requests by the statutory deadline, however, a target of 90% is set for monitoring purposes. Despite an improvement last quarter, indicating that the cyber incident was beginning to have less impact on FOI response times, performance has dropped. We are currently seeing a high number of complex requests that require consideration and use of exemptions, which at times has affected the response time, and the volume of requests for specific service areas has also had an impact. We are reflecting on positive performance seen in other customer contact measures and working with services to review and streamline the process, as well as directing more resources towards monitoring upcoming deadlines.

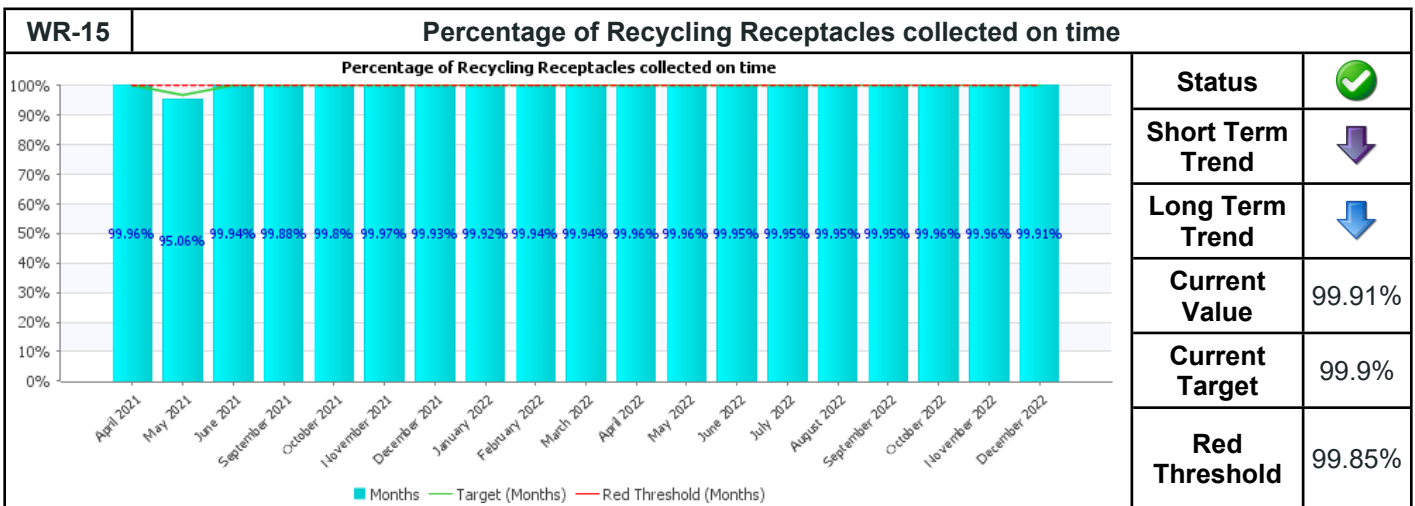
<b>TM-6</b>	<b>Number of unique visitors to website visitgloucester.co.uk</b>
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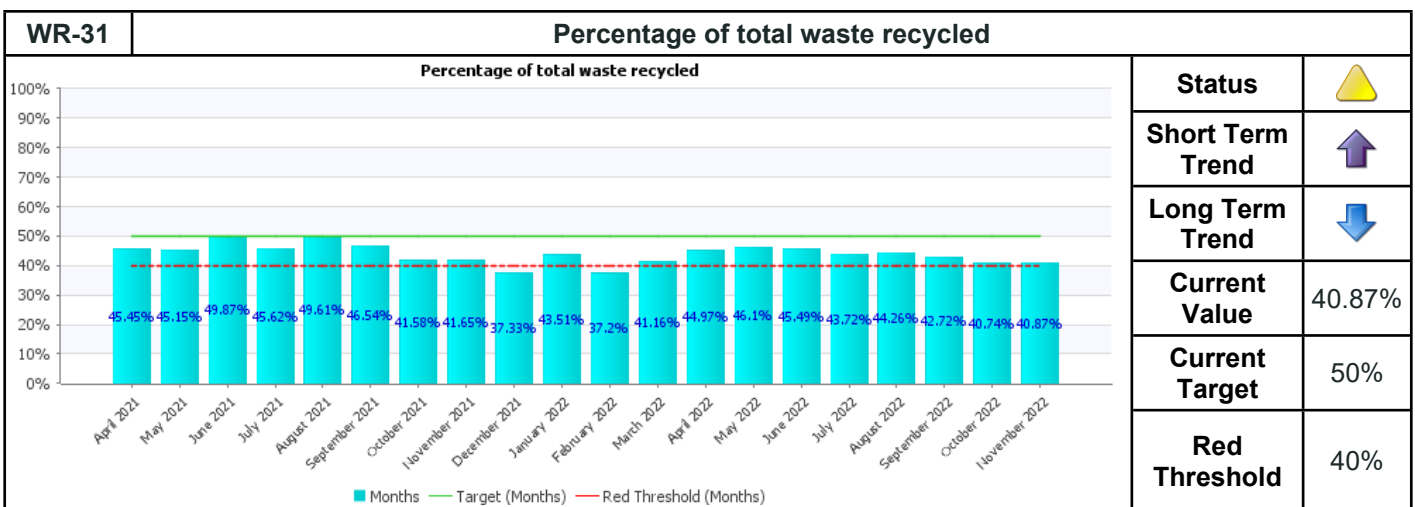
This Quarter continued to deliver consistently strong visit numbers to the website supported by an Autumn campaign that ran until early November. This switched to the promotion of Christmas and Winter activities, starting with the Christmas Light Switch on and Lantern Parade.



Collections were impacted by the snow and ice during December which slightly impacted the Q3 figures, although it was still within the target. The planned catch up was considered a success and management of waste and recycling over the Christmas period went smoothly.



Recycling collections were impacted by the snow and ice during December which slightly impacted the Q3 figures, although it was still within the target. The planned catch up was considered a success and management of waste and recycling over the Christmas period went smoothly.



When compared to November 2021 our percentage of waste recycled is slightly lower. 295t of street sweepings this year as opposed to 94t in November 2021 has made the biggest difference to these figures. Another contributing factor is that residents have less food waste to recycle and this may be a result of the cost of living crisis.



<b>Meeting:</b>	<b>Cabinet Council</b>	<b>Date:</b>	<b>8 March 2023 23 March 2023</b>
<b>Subject:</b>	<b>Capital Strategy 2023/24</b>		
<b>Report Of:</b>	<b>Cabinet Member for Performance and Resources</b>		
<b>Wards Affected:</b>	<b>All</b>		
<b>Key Decision:</b>	<b>No</b>	<b>Budget/Policy Framework:</b>	<b>Yes</b>
<b>Contact Officer:</b>	<b>Jon Topping, Director of Policy and Resources</b>		
	<b>Email: jon.topping@gloucester.gov.uk</b>	<b>Tel: 396242</b>	
<b>Appendices:</b>	<b>1. Capital Strategy 2023/24</b>		

**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 31<sup>st</sup> 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 20<sup>th</sup> 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
<b>TOTAL</b>	<b>23.968</b>	<b>17.994</b>	<b>61.358</b>	<b>10.791</b>	<b>1.707</b>

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 Council's 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
<b>TOTAL</b>	<b>23.968</b>	<b>17.994</b>	<b>61.358</b>	<b>10.791</b>	<b>1.707</b>

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
<b>TOTAL CFR</b>	<b>138.185</b>	<b>152.703</b>	<b>205.426</b>	<b>212.127</b>	<b>225.542</b>

**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
<b>TOTAL</b>	<b>0.00</b>	<b>0.366</b>	<b>0.000</b>	<b>1.500</b>	<b>2.500</b>

- 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 discretionary 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%
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- 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.



<b>Meeting:</b>	<b>Cabinet Council</b>	<b>Date:</b>	<b>8 March 2023 23 March 2023</b>
<b>Subject:</b>	<b>Treasury Management Strategy 2023/24</b>		
<b>Report Of:</b>	<b>Cabinet Member for Performance and Resources</b>		
<b>Wards Affected:</b>	<b>All</b>		
<b>Key Decision:</b>	<b>No</b>	<b>Budget/Policy Framework:</b>	<b>Yes</b>
<b>Contact Officer:</b>	<b>Jon Topping, Director of Policy and Resources</b>		
	<b>Email: jon.topping@gloucester.gov.uk</b>	<b>Tel: 396242</b>	
<b>Appendices:</b>	<b>1. Treasury Management Strategy 2023/24</b>		

**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

### 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

## 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.

<b>Capital expenditure £m</b>	<b>2021/22 Actual</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>
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
<b>Total</b>	<b>23.968</b>	<b>17.994</b>	<b>61.358</b>	<b>10.791</b>	<b>1.707</b>

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.

<b>Financing of capital expenditure £m</b>	<b>2021/22 Actual</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>
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
<b>Net borrowing need for the year</b>	<b>21.211</b>	<b>16.913</b>	<b>55.200</b>	<b>9.200</b>	<b>0.200</b>

- **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.

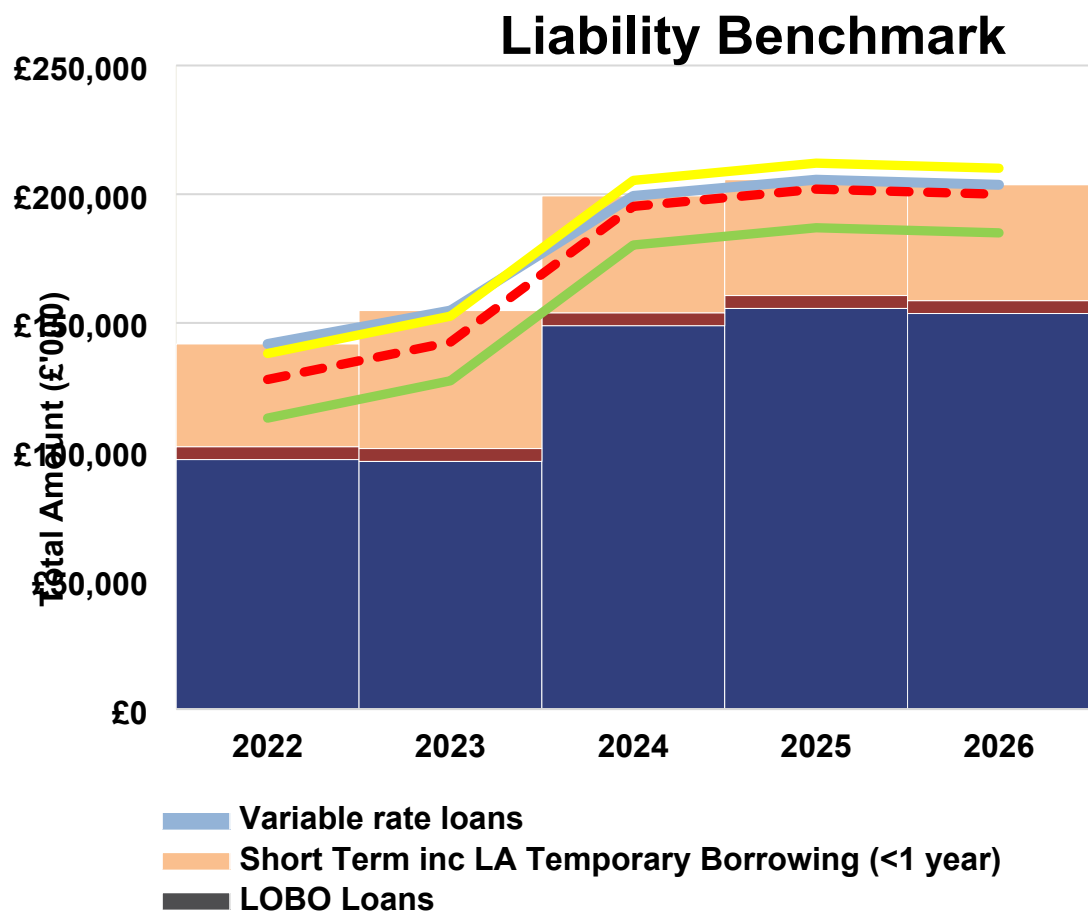
The Council is asked to approve the CFR projections below:

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

<b>Movement in CFR represented by</b>					
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)
<b>Movement in CFR</b>	<b>19.228</b>	<b>14.507</b>	<b>52.734</b>	<b>6.701</b>	<b>(1.981)</b>

○ **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.

<b>Year End Resources £m</b>	<b>2021/22 Actual</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>
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
<b>Total core funds</b>	<b>4.727</b>	<b>4.993</b>	<b>4.523</b>	<b>6.263</b>	<b>7.395</b>
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)
<b>Expected investments</b>	<b>9.394</b>	<b>2.360</b>	<b>1.890</b>	<b>3.630</b>	<b>4.762</b>

\*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.

<b>TREASURY PORTFOLIO</b>				
	actual <b>31.3.22</b>	actual <b>31.3.22</b>	current <b>01.01.23</b>	current <b>01.01.23</b>
	£000	%	£000	%
<b>Treasury investments</b>				
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%
<b>Total managed in house</b>	<b>7,575</b>	<b>43%</b>	<b>24,475</b>	<b>71%</b>
Bond Funds	5,000	28%	4,711	14%
Property Funds	5,000	28%	5,474	16%
<b>Total managed externally</b>	<b>10,000</b>	<b>57%</b>	<b>10,185</b>	<b>29%</b>
<b>Total treasury investments</b>	<b>17,575</b>	<b>100%</b>	<b>34,660</b>	<b>100%</b>
<b>Treasury external borrowing</b>				
Local Authorities	33,400	33%	53,600	34%
PWLB	62,015	62%	96,921	62%
LOBOs	5,000	5%	5,000	3%
<b>Total external borrowing</b>	<b>100,415</b>	<b>100%</b>	<b>155,521</b>	<b>100%</b>
<b>Net treasury investments / (borrowing)</b>	<b>-82,840</b>	<b>0</b>	<b>-120,861</b>	<b>0</b>



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
<b>External Debt</b>					
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)
<i>Other long-term liabilities (OLTL)</i>	<i>21.436</i>	<i>21.752</i>	<i>22.031</i>	<i>22.292</i>	<i>22.534</i>
<i>Expected change in OLTL</i>	<i>0.316</i>	<i>0.279</i>	<i>0.261</i>	<i>0.242</i>	<i>0.223</i>
Actual gross debt at 31 March	<b>128.852</b>	<b>140.059</b>	<b>192.793</b>	<b>199.494</b>	<b>197.513</b>
The Capital Financing Requirement	<b>138.185</b>	<b>152.692</b>	<b>205.426</b>	<b>212.127</b>	<b>210.146</b>
Under / (over) borrowing	<b>9.333</b>	<b>12.633</b>	<b>12.633</b>	<b>12.633</b>	<b>12.633</b>

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 8<sup>th</sup> 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		
<b>Banks *</b>				<b>yellow</b>	<b>£10m</b>	<b>5yrs</b>		
<b>Banks</b>				<b>purple</b>	<b>£10m</b>	<b>2 yrs</b>		
<b>Banks</b>				<b>orange</b>	<b>£10m</b>	<b>1 yr</b>		

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

### **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.:

<b>Average earnings in each year</b>	
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%
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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:

<b>Upper limit for principal sums invested for longer than 365 days</b>			
<b>£m</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
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
<b>Maximum</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>

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
<b>Total</b>	<b>23.968</b>	<b>17.994</b>	<b>61.358</b>	<b>10.791</b>	<b>1.707</b>

### 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
<b>BANK RATE</b>	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
<b>Bank Rate</b>	3.0%	1.5%	3.75%-4.00%
<b>GDP</b>	-0.2%q/q Q3 (2.4%y/y)	+0.2%q/q Q3 (2.1%y/y)	2.6% Q3 Annualised
<b>Inflation</b>	11.1%y/y (Oct)	10.0%y/y (Nov)	7.7%y/y (Oct)
<b>Unemployment Rate</b>	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.

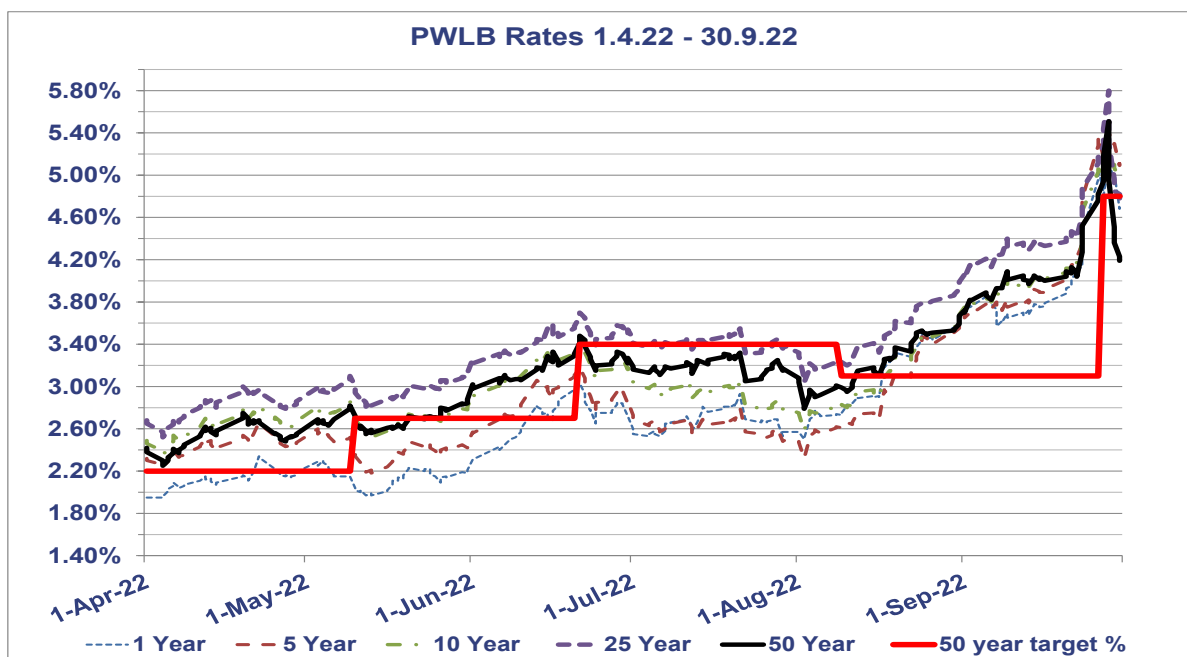
Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and December 2022. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their 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
<b>Low</b>	1.95%	2.18%	2.36%	2.52%	2.25%
<b>Date</b>	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
<b>High</b>	5.11%	5.44%	5.35%	5.80%	5.51%
<b>Date</b>	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
<b>Average</b>	2.81%	2.92%	3.13%	3.44%	3.17%
<b>Spread</b>	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
<b>DMADF – UK Government</b>	N/A	<b>100%</b>	<b>6 months</b>
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.*



<b>Meeting:</b>	<b>Cabinet Council</b>	<b>Date:</b>	<b>8 March 2023 23 March 2023</b>
<b>Subject:</b>	<b>Pay Policy Statement 2023/24</b>		
<b>Report Of:</b>	<b>Cabinet Member for Performance and Resources</b>		
<b>Wards Affected:</b>	<b>All</b>		
<b>Key Decision:</b>	<b>No</b>	<b>Budget/Policy Framework:</b>	<b>No</b>
<b>Contact Officer:</b>	<b>Jon Topping, Director of Policy &amp; Resources</b>		
	<b>Email: jon.topping@gloucester.gov.uk</b>	<b>Tel:</b>	<b>396242</b>
<b>Appendices:</b>	<b>1. Pay Policy Statement for 2023/24</b>		

**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



## 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 1<sup>st</sup> 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) Managing Director

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) Directors job size 5

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) Head of Place and Culture

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 4<sup>th</sup> November 2020 were subsequently revoked on 12<sup>th</sup> 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\*:

	<b>Annual salary FTE</b>	<b>Multiplier</b>
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](http://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.





<b>Meeting:</b>	<b>Cabinet</b>	<b>Date:</b>	<b>8 March 2023</b>
<b>Subject:</b>	<b>`Gloucester Feed the Hungry' Lease Agreement - To Approve The Drafting of a Lease to Occupy 24 The Oxbode</b>		
<b>Report Of:</b>	<b>Cabinet Member for Policy and Resources, and Cabinet Member for Communities and Neighbourhoods</b>		
<b>Wards Affected:</b>	<b>Westgate</b>		
<b>Key Decision:</b>	<b>No</b>	<b>Budget/Policy Framework:</b>	<b>No</b>
<b>Contact Officer:</b>	<b>Jayne Wilsdon Investment Manager</b>		
	<b>Email: Jayne.wilsdon@gloucester.gov.uk</b>	<b>Tel:</b>	<b>39-6871</b>
<b>Appendices:</b>	<b>1. Heads of Terms (Exempt, Paragraph 3)</b>		

**REPORT FOR GENERAL RELEASE**

**EXEMPTIONS**

The public are likely to be excluded from the meeting during any detailed consideration of Appendix 1 as it contains exempt information as defined in paragraph (3) of schedule 12A to the Local Government Act 1972 (as amended).

**1.0 Purpose of Report**

1.1 To secure approval from cabinet to enter into a one year lease in line with the heads of terms in appendix 1 for Gloucester Feed the Hungry CIC (community interest company) to continue their work in the local community as a community coffee shop, food bank and donation centre for the homeless and vulnerable within the City.

**2.0 Recommendations**

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

- (1) delegated authority be granted for the Investment Manager, in consultation with the Deputy Leader and Cabinet Member for Communities and Neighbourhoods to complete a one year lease for 24 The Oxbode for Gloucester Feed the Hungry CIC
- (2) it be noted that the lease will have mutual provisions for breaking the lease giving not less than 3 months notice on either side.

### **3.0 Background and Key Issues**

- 3.1 Gloucester Feed the Hungry have recently gained Community Interest Company (CIC) status enabling them to start expanding their provision of offering a valuable service to some of the most vulnerable members of our City. As such they require suitable premises to operate from to enable them to grow and become self sufficient as a CIC.
- 3.2 This report seeks to gain approval for the lease of the above premises to enable them to continue to operate and build on the provision of their community coffee shop, foodbank, hot food programme and donation centre for other community causes.

### **4.0 Social Value Considerations**

- 4.1 The operation of this CIC is entirely focused on operating as a not for profit organisation providing an essential and much needed service for the community. By agreeing this lease the work can continue to offer their service together with a warm space for those that need it through the next 12 months.

### **5.0 Environmental Implications**

- 5.1 The lease will have due regard to environmental factors and an EPC recently carried out highlighted that the building meets not only the current but new legislative requirements for energy efficiency.

### **6.0 Alternative Options Considered**

- 6.1 Alternative locations within the City have been considered including the possibility of sharing premises with another organisation. There are no other facilities that meet the criteria of the CIC whilst it's still establishing itself and there are no other organisations that have the required space for their own operations as well as another. Our community wellbeing and property teams will continue to work with Gloucester Feed the Hungry throughout the proposed tenancy to ensure that every avenue is continually evaluated.

### **7.0 Reasons for Recommendations**

- 7.1 The proposition is to support Gloucester Feed the Hungry CIC on social value grounds so that they can build on their vital work in the community. Granting them a lease on the agreed terms will enable them to investigate additional funding streams and work on their business plan to ensure that they are sustainable going forward. They will gain valuable insight into dealing with occupational matters such as negotiating utilities and will be able to work with us to identify future funding streams.

## **8.0 Future Work and Conclusions**

- 8.1 The Council will require a detailed business plan to ensure that the CIC operation will be sustainable going forward and we will need to instruct One Legal to complete the details of the lease together with the tenant's solicitor. Following lease completion the Council will then need to ensure compliance with the terms of that lease in the same way that the Council would for any tenant.

## **9.0 Financial Implications**

- 9.1 It is proposed that the lease is granted for a below market rent which will have financial implications for the Council for the period of the tenancy. However there will be no landlord costs such as utilities and void rates for the council during the period of occupation as the tenant will be liable for all of those occupational costs that the Council would have to pay. The proposed Heads of Terms are attached at Appendix 1 (EXEMPT)

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

## **10.0 Legal Implications**

- 10.1 One Legal have been consulted and detailed subsidy control checks will need to be undertaken before the lease can complete together with any other public notices that need to be addressed.
- 10.2 Consent for disposal at less than best consideration is legal where the property is to be used for purposes that contribute to the economic, social or environmental well-being of the area provided the difference between the consideration and market value does not exceed £2 million which this does not and applied to this lease.
- 10.3 A short term one year lease does not fall under the best value provisions of the s123 of the LGA 1972. Whilst leases for a term of less than 7 years do not have to be for the best consideration reasonably obtainable, the Council must still have regard to its general fiduciary duty

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

## **11.0 Risk & Opportunity Management Implications**

- 11.1 The Council will need to continue to work with the tenant to ensure the CIC continues to be viable in order that full occupational costs can be met. A mechanism for breaking the lease will be included which will exist not only for the landlord but also to enable the tenant to re-evaluate their position should the need arise.

## **12.0 People Impact Assessment (PIA) and Safeguarding:**

- 12.1 At present there are no adverse impacts identified for any of the protected characteristic groups. Further assessments can be carried out with the tenant to ensure this continues throughout the period of occupation.

### **13.0 Community Safety Implications**

- 13.1 Community Safety elements are limited. The tenant has been advised on what safety provisions they must engage with which include but are not limited to maintenance of a fire alarm system, fire risk assessments and ensuring that any work undertaken is done so by obtaining the Council's permission and using suitably qualified trades people. A Food and Hygiene certificate has already been obtained.

**Background Documents:** None

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

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