Wednesday, 16 March 2022

TO EACH MEMBER OF GLOUCESTER CITY COUNCIL

Dear Councillor

You are hereby summoned to attend a **MEETING OF THE COUNCIL** of the **CITY OF GLOUCESTER** to be held at the Civic Suite, North Warehouse, The Docks, Gloucester, GL1 2EP on **Thursday, 24th March 2022** at **6.45 pm** for the purpose of transacting the following business:

AGENDA

1. **APOLOGIES**

   To receive any apologies for absence.

2. **MINUTES (Pages 9 - 28)**

   To approve as a correct record the minutes of the Special Council Meeting held on 24 February 2022 and the ordinary Council Meeting held on 24 February 2022.

3. **DECLARATIONS OF INTEREST**

   To receive from Members, declarations of the existence of any disclosable pecuniary, or non-pecuniary, interests and the nature of those interests in relation to any agenda item. Please see Agenda Notes.

4. **CALL OVER**

   (a) Call over (items 9-12) will be read out at the meeting and Members invited to reserve the items for discussion.

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

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

The opportunity is given to members of the public to put questions to Cabinet Members or Committee Chairs provided that a question does not relate to:

- Matters which are the subject of current or pending legal proceedings or
- Matters relating to employees or former employees of the Council or comments in respect of individual Council Officers.

To ask a question at this meeting, please submit it to democratic.services@gloucester.gov.uk by 12 noon on Friday 18 March 2022 or telephone 01452 396203 for support.

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

A period not exceeding three minutes is allowed for the presentation of a petition or deputation provided that no such petition or deputation is in relation to:

- Matters relating to individual Council Officers, or
- Matters relating to current or pending legal proceedings

7. **ANNOUNCEMENTS**

To receive announcements from:

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

8. **MEMBERS' QUESTION TIME**

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

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

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

b) Questions to Chairs of Meetings (15 Minutes)

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

ISSUES FOR DECISION BY COUNCIL

9. **TREASURY MANAGEMENT STRATEGY 2022/23 (Pages 29 - 68)**

To consider the report of the Cabinet Member for Performance and Resources seeking approval for the Treasury Management Strategy, the prudential indicators and noting the Treasury activities.

10. **CAPITAL STRATEGY 2022/23 (Pages 69 - 80)**

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

11. **PAY POLICY STATEMENT 2022-23 (Pages 81 - 92)**

To consider the report of the Cabinet Member for Performance and Resources seeking approval the Council's Pay Policy Statement for 2022/23.

12. **GOVERNANCE ARRANGEMENTS FOR THE GLOUCESTERSHIRE ECONOMIC GROWTH JOINT COMMITTEE (Pages 93 - 104)**

To consider the report of the Leader of the Council requesting to extend the operation of the Gloucestershire Economic Growth Joint Committee (GEGJC) until 31 March 2023 and to delegate authority to the Head of Paid Service to amend the Inter-Authority Agreement (dated 4 September 2014) accordingly.

MOTIONS FROM MEMBERS

13. **NOTICES OF MOTION**

1. PROPOSED BY COUNCILLOR PULLEN

"This council recognises the major impact the Covid 19 pandemic has had on Gloucester with virtually all areas in the city being affected. Many people have contracted the virus and too many have lost their lives with friends and families losing loved ones.

Health and welfare services have been pushed to the limit but have done a fantastic job in extremely difficult circumstances.

The business community has been severely hit with many local companies struggling to cope.

However, the resilience and determination of Gloucester people has shone through and there has been many excellent examples of people and organisations going that extra mile to help others.

The efforts of key workers have been phenomenal and along with our outstanding NHS staff they have continued to deliver essential services and their vital role in 4 looking after us. This has been despite often extreme and very challenging circumstances.

The city has also experienced a massive community spirit with local volunteers and community organisations looking after vulnerable people and those who were isolating, ensuring they had food and other essential supplies.

The Covid pandemic is not over yet and it may be still too early to call. However, it is time to start thinking about how Gloucester marks and remembers the huge impact that Covid has had on our city, the sacrifices people have made and the sterling community effort that took place in order to cope.

It would therefore be very appropriate to create a permanent and long lasting Covid Memorial to be placed in a prominent position in the city centre. The memorial would remember all those who lost their lives and be a fitting tribute to key workers in essential services and the phenomenal community effort that was made.

The memorial would tell the story of how the people of Gloucester coped with the Covid pandemic so that future generations could appreciate and understand the sacrifices that were made.

Gloucester City Council should take the lead in creating the memorial but should do so in partnership with the many appropriate organisations and interested parties in the city. This would ensure a structure that was created by and representative of a wide range of people communities and organisations.

Council resolves to:

- Take the lead in creating a lasting Covid Memorial to be sited in a prominent position in the City Centre.
- Design a fitting tribute that remembers those who lost their lives and recognises the immense contribution that key workers, volunteers and community organisations made during the crisis.
- Bring together a partnership of appropriate organisations and agencies to deliver the project and draw on their resources, skills and talents.
- Fully involve local people, communities and voluntary organisations."

2. PROPOSED BY COUNCILLOR FIELD

"Council notes the recent #bouncingback project, which was jointly funded by Gloucester BID and the City Council.

Council notes that this project sought to enhance the street scene by 'converting often unkempt street furniture into bright points of interest'. 5 local artists were involved in painting a total of 75 boxes, including electric and BT boxes, with the agreement of the owners.

Council commends this project which has delivered some excellent public art, commemorated aspects of Gloucester history and provided a talking point.

Council records its thanks to those who organised and took part in the project.

Council resolves to examine ways to expand the project in the future, such as encouraging members, residents and community groups to identify street furniture or appropriate sites in their wards to be brightened through painting, cleaning or planting, and inviting submissions of historical figures, events and logos to be commemorated.

Council further resolves to apply for any suitable funding from government or other sources to expand this work, and to work with the BID and other local partners to ensure that this project is fully publicised, promoted and celebrated in the future."

3. PROPOSED BY COUNCILLOR HILTON

“This Council notes the publication of the Government’s Levelling Up White Paper.

This Council notes that the White Paper proposes a devolution framework based on three levels of implementation.

This Council agrees to hold an all member briefing so that councillors can consider the three options for devolution and to allow the council to develop an engagement strategy.

This Council agrees that it should support an option that not only retains the powers of this council, but one which strengthens this council’s ability to deliver what’s best for the city of Gloucester.”

4. PROPOSED BY COUNCILLOR KUBASZCZYK

“This Council notes that it passed a motion unanimously condemning the invasion of Ukraine by the Russian Federation.

This Council recognizes that the invasion is continuing and has caused millions of Ukrainians to flee the fighting, escape the country and become refugees. Many millions more have stayed in Ukraine and have lost or will lose everything.

We note that these circumstances create huge needs amongst both those fleeing and remaining, and especially note the efforts of many, many people in Gloucester and surrounding areas who have donated huge amounts of cash to organisations established to provide help. This Council especially wants to thank those who have donated huge amounts of goods and arranged their transport to places where they can be distributed to those who need them.

This Council pledges to provide the practical help it is able to do, to those refugees who ultimately find themselves in Gloucester and encourages residents to continue to help in the generous spirit they have so far shown.”

Yours sincerely

Jon McGinty
Managing Director

NOTES

Disclosable Pecuniary Interests

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

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

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

capital of that body; or

ii. If the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, your spouse or civil partner or person with whom you are living as a spouse or civil partner has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

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

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

Access to Information

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

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

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

Recording of meetings

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

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

FIRE / EMERGENCY EVACUATION PROCEDURE

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

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

Gloucester City Council

COUNCIL

MEETING : Thursday, 24th February 2022

PRESENT : Cllrs. Finnegan (Chair), Cook, H. Norman, S. Chambers, Hudson, Lewis, Hilton, Pullen, Gravells MBE, Morgan, Wilson, Bhaimia, Williams, D. Brown, Taylor, Organ, Toleman, Brooker, J. Brown, Hyman, Melvin, Bowkett, Ackroyd, Castle, A. Chambers, Chambers-Dubus, Conder, Dee, Durdey, Evans, Kubaszczyk, O`Donnell, Padilla, Radley, Zaman and Sawyer

Others in Attendance
Managing Director
Monitoring Officer
Head of Communities
Head of Policy and Resources
Democratic and Electoral Services Team Leader
Democratic and Electoral Services Officer

APOLOGIES : Cllrs. Tracey, Field and Patel

73. DECLARATIONS OF INTEREST

73.1 There were no declarations of interest.

74. ADMISSION OF HONORARY FREEMAN

74.1 The Leader of the Council and Cabinet Member for Environment, Councillor Cook moved, and Councillor Hilton seconded the nomination. Councillor Cook outlined the report which asked Council to confer the honour and title of Honorary Freeman of the City of Gloucester upon the Very Reverend Stephen Lake, Dean of Gloucester in recognition of his significant contribution and eminent services to the City.

74.2 Councillor Cook offered his congratulations on the Dean being offered the position as the next Bishop of Salisbury. He noted that he had been ‘immeasurably engaged’ with the City of Gloucester, particularly regarding his work as chair of the Regeneration Advisory Board, which saw hundreds of millions of pounds of investment into the City and his work in the successful delivery of phase I of the Project Pilgrim project. He added that he would leave a gap that would be difficult to fill.

74.3 Councillor Hilton offered his congratulations to Reverend Stephen Lake on his appointment to the position of the Bishop of Salisbury. He stated that during the hiring process for the Dean in 2011, it was agreed that the City would benefit by having someone who would contribute to the regeneration of Gloucester, which he had. Councillor Hilton stated that that it had been a pleasure to serve with him on the Regeneration Advisory Board. He said that he would be missed in Gloucester and that he would be welcomed in Salisbury.

74.4 Councillor Pullen stated that he was happy to support the nomination. He noted that the Reverend had made a significant contribution to all aspects of life in the City of Gloucester. He said that the Cathedral was not only the spiritual home of Gloucester but was also the main attraction in the City, which was helped by the efforts of the Dean and his team. He stated that the Dean had used the Cathedral for progressive, including a Skateboard festival as well as a Folk-Rock concert. He stated that on a sombre note, that he remembered when he and former Councillor Stephens attended a ceremony at the Cathedral where they listened to a list of the names of fallen soldiers in Gloucestershire. He stated that he wished the Dean well in his new role and that whilst no one was irreplaceable, the Dean would prove to be an extremely difficult act to follow.

74.5 Councillor D. Brown stated that the Reverend was a man of warmth, grace, humility, and humour. He added that he was very happy to support the nomination.

74.6 Councillor Lewis noted that he had great memories of the Dean from the time when he was mayor. He stated that the Dean had a sense of unity with the residents of Gloucester. He said that had brought compassion and fairness to the role and that he wished him good luck in his new position.

74.7 Councillor Morgan said that he wanted to personally thank the Dean and his staff for their courtesy and kindness, that it was a privilege to have him in the City and that he wished him future success.

74.8 The nomination was put to a vote and carried unanimously.

74.9 **RESOLVED** that, pursuant to Section 249 of the Local Government Act 1972, the Very Reverend Stephen Lake, Dean of Gloucester, be admitted as an Honorary Freeman of the City of Gloucester in recognition of his significant leadership of the social, economic, environmental and spiritual regeneration of Gloucester and for re-affirming the Cathedral as a beacon of hope for all at the heart of the city, county and Diocese.

74.10 The Dean stated that he had mixed feelings about the evening. He stated that Gloucester had been his home for 11 years. He stated that to leave the City did not come without a degree of pain. He stated that when he first arrived, the Country was in the midst of the recession and that he was leaving just as the COVID-19 pandemic was hopefully ending. He said that for four out of the eleven years of his service, there had been enormous pressure on citizens. He highlighted the great work of the urban regeneration company and the progress happening in Kings Square and how it would be a wonderful space for the City once works were complete. He stated that he believed that he was the only Dean to have blessed a bus station in England. He noted that he was happy that the first phase of Project Pilgrim had been completed and that the Council had pledged their support for Phase II of the project. He stated that it was his and his staff's role to reconnect the Cathedral to the City and have a good partnership with the Council, which was not necessarily the case in all Cathedral Cities. He stated that it was important not to allow the relationship between the Council and the Cathedral to slip and that he had made friends from all political parties during his time as Dean. He stated that the maintenance of this relationship was important. Not because of the Cathedral nor the Council but because it benefits the people, they served and shared. He stated that the bringing together of the Cathedral and Council was for the common good. He said that it was about bringing together a coalition committed to Gloucester and that he hoped that this legacy would continue.

Time of commencement: 6.00 pm hours
Time of conclusion: 6.25 pm hours

Chair

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COUNCIL

MEETING : Thursday, 24th February 2022

PRESENT : Cllrs. Finnegan (Chair), Cook, Norman, S. Chambers, Hudson, Lewis, Hilton, Pullen, Gravells MBE, Morgan, Wilson, Bhaimia, Williams, D. Brown, Taylor, Field, Organ, Toleman, Brooker, J. Brown, Hyman, Melvin, Bowkett, Ackroyd, Castle, A. Chambers, Chambers-Dubus, Conder, Dee, Durdey, Evans, Kubaszczyk, O`Donnell, Padilla, Radley, Zaman and Sawyer

Others in Attendance
Managing Director
Monitoring Officer
Head of Communities
Head of Policy and Resources
Democratic and Electoral Services Team Leader
Democratic and Electoral Services Officer

APOLOGIES : Cllrs. Tracey and Patel

75. MINUTES

75.1 **RESOLVED** – That the minutes of the meeting held on 27 January 2022 were approved and signed by the Mayor as a correct record.

76. DECLARATIONS OF INTEREST

76.1 There were no declarations of interest.

77. CALL OVER

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

78. PUBLIC QUESTION TIME (15 MINUTES)

78.1 There were no public questions.

79. PETITIONS AND DEPUTATIONS (15 MINUTES)

79.1 There were no petitions nor deputations.

80. ANNOUNCEMENTS

The Mayor

80.1 The Mayor announced that there would be a Charity Fundraiser Event at the Irish Club on Friday 4 March 2022. She encouraged members to attend and noted that there would be karaoke.

Member of the Cabinet

80.2 The Cabinet Member for Culture & Leisure, Councillor Lewis noted that the Council had received £307,000 in Arts Council funding to make repairs to the museum. He stated that he was very glad that the museum had received the award.

80.3 The Cabinet Member for Planning & Housing Strategy that the official snapshot figures for rough sleepers had been published. She stated that she was pleased to note that the number of rough sleepers recorded had reduced from 14 to 7. She stated that she and the Council did not want anyone to sleep rough but was pleased with this reduction. She stated that she wanted to place on record a special thanks to the former Cabinet Member for Planning & Housing Strategy, Councillor Gravells and officers work in the Housing department for their work on the issue.

81. FINAL BUDGET PROPOSALS (INCLUDING MONEY PLAN AND CAPITAL PROGRAMME)

81.1 Councillor Cook moved and Councillor Norman seconded the motion.

81.2 Councillor Cook stated that he wished to thank his Cabinet colleagues, particularly Councillor Norman on their hard work in preparing the budget. He thanked senior officers, particularly the Director of Policy and Resources and those in the finance team in formulating the budget. He stated that challenges had continued throughout the year, predominantly owing to the Coronavirus Pandemic, and more recently the cyber incident and that he was proud of the achievements of the Conservative administration. He said that the administration had made sure that Council Tax was kept low despite the pandemic and other financial related pressures. He said that COVID-19 had damaged the financial stability of both individuals and authorities. He stated that the authority was also facing the unknown cost of the cyber incident. He stated that the Council was forecast to be £238,000 over budget at year end, which in consideration of the mitigating circumstances, particularly of the COVID-19 Pandemic was moderate compared to many other authorities and that should be applauded.

81.3 Councillor Cook said that the Property Investment Strategy had enabled the Council to deliver on priorities. He said that work had already begun on the

High Street Heritage Action Zone and that it had received praise for the work already conducted. He stated that a new exit onto Metz Way had been completed as part of the wider regeneration of the area, which would include the lighting of the underpass going into the train station. He stated that work had temporarily seized on Barbican Site but that the ambition was still to provide a new halls of residence for 200 students there by September 2022. He said that the works in Kings Square had almost been completed and that there should be a formal opening of the area in May 2022. He said that The Music Works and JOLT were well placed to contribute to the cultural regeneration of the City. He stated that the works on the Forum would begin in the following month. He said that the purchase of the former Debenhams building by the University of Gloucestershire would bring up to 4,700 students into the area. He stated that remediation had already began at the Fleece Hotel. He stated that a lot of this work had been made possible due to the £20 million fund from the Department for Levelling Up, Housing & Communities grant.

81.4 Councillor Cook thanked Urbaser for managing to keep up with waste collection largely. He stated that the City had seen an increase in recycling rates, and this was in part down to the work undertaken by Urbaser. He noted that Urbaser had also installed 83 new bins. He stated that most of these bins were upgrades to existing sites. He said that the current contract with Urbaser would come to an end after March 2022, where Ubico would take over.

81.5 Councillor Cook stated that the environmental team had been working hard and had issued 86 Fixed Penalty notices. He said that the cultural and leisure portfolio had been performing well. He stated that Gloucester had been nominated as a priority place by Arts Council England. He stated in the past 18 months, City Council ran buildings had received £275,000 in funding. He said that Kings Square would become an entertainment area for all. He added that Gloucester Goes Retro, Gloucester History Festival and other events had brought thousands of people out, both locally and nationally.

81.6 Regarding Planning, Councillor Cook stated that on the 18th February, 18 new apartments were opened in Quedgeley. He stated that developments in Olympus Park had provided a mixture of apartments for future tenants. Councillor Cook said that the Next Steps Accommodation Programme had provided £1.7 million to help to prevent homelessness and rough sleeping. The Leader stated that £395,000 had been granted to the Planning Department by the Department of Levelling Up to help develop software to streamline the planning application process. He said that additionally, there had been progress with the City Plan, that a report would go before Cabinet in March or April before it went back to the Planning Inspectorate. Councillor Cook said that regarding the Communities and Neighbourhoods portfolio, the City Protection Officers had carried on their diligent work. He said that the Holiday Activity and food programme had provided parks and open spaces. He said that they had also provided 14,000 hot meals. He said that Safer Streets had provided £405,000 to provide better lighting.

81.7 The Leader informed Members that the Council was undertaking the City's largest tree planting exercise in history. He said that 13,000 trees would be planted and that they would be in every ward. He commended the work of the Climate Change Manager and the Open Spaces Manager for their effort in this regard. He said that looking forward, the new Council Plan had the theme of creating a greener, better, and fairer Gloucester. He stated that the new plan sought to continue to build on promises, improve the City through plans of regeneration and culture, to tackle inequalities, climate change and keep residents safe. He stated that they would build a socially responsible Council.

81.8 Looking forward to the 22/23 budget, Councillor Cook advised that the financial situation continued to be difficult. He stated that the Council had made £5.5 million in savings over 8 years, whilst generating additional income. He stated that there would be an increase of £5 in Council Tax for Band D residents. He said that the Conservative administration had averaged an increase of 2.3% per annum, which was impressive when compared to 10% per year before it was a Conservative led administration. He stated that because of the recent cyber incident, the Council had to put in place a Cyber Recovery Reserve of £380,000 and that they would invest heavily in IT. He stated that the less the administration spent now, the less they would have to cut. He stated that the administration would partially accept the Labour Group's second amendment and would move £10,000 from the Budget Equalisation Reserve into funding recommendations of the Monuments Review.

81.9 He concluded by stating that despite the difficult wider financial environment, the Conservative administration had demonstrated its ambition, had demonstrated that it was looking to make improvements and that the budget showed that they were the party of delivering.

81.10 Councillor Norman stated that she was pleased to second the motion and that she would focus on specific points within the five year Money Plan. She stated that Local Government Funds continued to have a tough outlook, predominantly as a result of the COVID-19 pandemic, and for Gloucester specifically, the cyber incident. She stated that the budget savings were outlined in Appendix 2 of the report. She stated that in her own portfolio, savings would be made from the relocation of the City Council's Office Accommodation Shire Hall into Eastgate Market and that additional income would be generated from the opening of the Food Dock. She stated that the Chancellor of the Exchequer had enabled the increase of Council Tax by 2% (or £5, whichever was greater) for tax band D users. She further added that the Chancellor had provided a Council Tax rebate for band A-D residents. She encouraged all band A-D Council Tax payers, who did not pay by direct debit to contact the Council at heretohelp@gloucester.gov.uk to ensure that they did get their rebate. She stated that she acknowledged that they may need to adjust the Budget, as they were based on best assumptions. She stated that it was essential that the Council retained their reserves.

81.11 Councillor Hilton moved and Councillor Wilson seconded the following amendments:

- That £25,000 be put aside from the Cyber Recovery Reserve to fund an independent inquiry into cyber attack that knocked out the council's IT Systems in December. The inquiry to focus on why it happened, how the recovery was managed and to provide reassurance to the council that it will be properly protected against further such events.

- That the council applies to the Government for a grant from the £37.8m Cyber Security Fund to help cover the financial cost of recovering from the cyber-attack on the council's IT systems. Any award to be deposited in the Cyber Recovery Reserve before being used.

- That the council freezes Shopmobilty charges for the next year, which would result in lost income of £450 in next 12 months. Funded via the Shopmobility Reserve, which currently stands at £29,000.

- The city council to purchase three thermal imaging cameras (to include training) at a budget of £1,200 for use by community groups to allow residents and householders to get an understanding on how they could better insulate their homes. Funding to come from the Lottery Reserve.

- That a fund is set up to allow each councillor the opportunity to nominate two locations in their ward for extra dual purpose litter bins. This would provide 78 extra bins across Gloucester. Capital cost would be £48,000 with ongoing cost of £25,000 per year for bin emptying. The funding for the capital cost and first year revenue cost to come from the Regulation 59(i) Strategic Infrastructure Fund of £380,000 that has been raised by the Community Infrastructure Levy from the Glevum Green development.

- That the General Fund be reduced by £6,000 and this £6,000 be moved to the Defibrillator Reserve. To allow for further purchases of defibrillators to be located at publicly accessible sites in Gloucester which do not currently have one in the locality.

81.12 Councillor Hilton thanked Councillor Norman and Cook for their speeches. He thanked officers for preparing the budget, despite the difficulties created by the cyber incident. He stated that it was a 'budget of stagnation'. He said that he was happy to support outside bidding for grants. He stated that the real issue was the reduction of staff over the past several years. He said that 10 years ago, the City Council had around 450 staff, which had now reduced to around 180. He said that staff were under immense pressure and had too much to do. He stated that the City Council was a 'vanishing council'. He stated that the Development Team's size meant that they did not conduct site visits. He said that the Planning Enforcement Team were aware of breaches but were not sufficiently large enough to deal with them. He said that the Council currently did not have a tree officer which was an issue. He stated that there had been large delays in relation to the Housing Stock Survey. He stated that the new waste contractors, Ubico had offered an enhanced service to the Council, which had been turned down by the administration. He said that the ongoing expenditure was so tight that services were suffering as a result. He stated that they should push the

Government to push Council retention of business rates. He said that if the Council retained 75% of business rates in Gloucester, this would bring in £8.25 million worth of funding into the Council, as opposed to £5 million from the current business rate collection. He stated that he wanted to see Richard Graham MP and Laurence Robertson MP lobbied to improve the business retention rates for the City Council.

81.13 Councillor Hilton stated that the Liberal Democrat Group had six amendments. In respect of the first amendment, he stated that it would ensure that similar events could be avoided in the future. Regarding the second amendment, he stated that he and the Liberal Democrat group wished to see the Council apply for the fund as he did not believe the £378,000 in the Cyber Reserve Fund would cover the cost of repairing the systems and getting everything operational again. He stated that the third amendment was a modest adjustment which would help the most vulnerable. He stated that the fourth amendment would allow residents and householders to get an understanding on how they could better insulate their homes. He stated that in regard to the fifth amendment, all Councillors knew areas in their ward that were problematic regarding littering and that Gloucester desperately needed more bins. He stated that the amendments proposed were sensible, not costly and did not affect the most important aspect of the Council's work for the foreseeable future, which was recovering from the cyber incident.

81.14 Councillor Wilson stated that in relation to the first amendment, he understood the reluctance of the Council to undertake the investigation and was sure they were receiving good advice from partners. However, he said that it was important for the sake of transparency that an independent investigation took place when the Council had reached the recovery phase of the cyber incident. He stated that members were elected by the public and were duty bound to be honest as to how money was spent. He said that he understood that some information could not be made public but external auditors could investigate whether the Council had been efficient with the recovery and whether they were well protected in the future to prevent future cyber incidents. He stated that the review may cost less than £25,000 and that Hackney's independent review only cost £10,000 but that it was vital to have an independent review when they were in the recovery stage. He said that regarding the amendment for thermal imaging cameras, other authorities had begun to provide these, such as South Somerset. He stated that it was something the Council should seriously consider, particularly with rising energy prices.

81.15 Councillor J. Brown stated that she was disappointed that the administration had suggested that they would not accept the amendments for the defibrillators. She stated that residents would have a much better chance of surviving a cardiac arrest if there was one nearby. She stated that extensive research had already been conducted by the Council which identified suitable locations for defibrillators. She stated that defibrillators should be available for 24 hours a day, not just when Cafés were open. She stated that £6,000 was pennies in relation to the entire budget.

81.16 Councillor Norman stated that she was speaking on behalf of the administration in relation to the first and second Liberal Democrat Group amendment. She said that the authority did not believe that ringfencing money for an independent review was not necessary as they needed to maintain flexibility to support recovery in other ways. She stated that as soon as they moved into the recovery phase of the cyber incident, that findings would be shared with members. She stated that the Council could not accept the second amendment as it was not a budget amendment. She said, however, that the Council would review all options to assist with the recovery.

81.17 Councillor Hudson stated that he was responding on behalf of the administration for the third and sixth Liberal Democrat amendment. He stated that the proposed Shopmobility increases were less than 2% and that the Liberal Democrat amendment would take away finances from the Council's reserves. He added that the increased monies to Shopmobility would help to ensure that mobility scooters were properly looked after. He stated that regarding defibrillators, he believed that they could be installed without Council funding and that the Council supported the concept of the installation of them. He stated that a paper was due to go before Cabinet in March, which highlighted the use of them. He stated that there had been an increase in defibrillators from 1 to 31 in situ in the past two years. He said that for any scheme to have longevity, it would require private funding. He added that there were also sporting bodies who would support the installation of defibrillators.

81.18 Councillor Castle expressed her disappointment that the administration would not accept the Liberal Democrat amendment for extra dual purpose litter bins and that her ward of Longlevens desperately needed more bins.

81.19 Councillor Conder stated that her ward of Kingsholm also needed more bins.

81.20 Councillor Radley commented that it was unfortunate that the administration would not accept the amendment regarding Shopmobility. She stated that it said a lot that the Conservative Group were putting extra costs on individuals less likely to be able to pay.

81.21 Councillor Cook stated that he wished to respond on behalf of the administration regarding the fourth Liberal Democrat amendment (purchase of three thermal imaging cameras). He stated that in principle, thermal imaging cameras were an excellent idea. He said that he asked the Climate Change Manager to undertake an investigation in relation to thermal imaging cameras and their effectiveness and was awaiting a response. He said that if Members wished to have thermal imaging cameras, it would be more suitable if they purchased them out of their member allowances. He said that regarding the fifth Liberal Democrat amendment (a fund for Councillors to nominate two locations for extra dual purpose litter bins) an infrastructure programme was put in place last year for the 'right place, right bin' programme. He said that this would create a more efficient placing of bins when that project was complete. He stated that he would encourage members to contact the Environmental Team if there was an issue with overflowing bins in their ward. He said that he did not want the administration to incur any additional costs until the infrastructure programme was complete.

81.22 Each Liberal Democrat group amendment was put to a vote and was lost.

81.23 Councillor Pullen moved and Councillor Chambers-Dubus seconded the following amendments.

1. To create a homelessness prevention and cost of living assistance fund This to be funded from a reduction in transfer to reserves. The fund to be used:

    1. To enable families and individuals at risk of homelessness to remain in their existing homes or secure new ones.

    2. To offer financial assistance to families and individuals experiencing difficulties from escalating domestic energy bills.

    3. To offer assistance to families and individuals who are struggling to afford food due to increasing food costs

Cost £200,000 Funded from transfer to reserves

2. To support the recommendations of the Race Equality Commission and Monuments Review:

    This will include:

    1. City Council initial funding contribution towards a Race Equality legacy institution. Cost £30,000.

    2. Creation of a new City Council (part time) post to take a lead role, working with countywide partners to develop, deliver and monitor the recommendations in the report. Cost £25,000.

    3. Initial costs of implementing recommendations of the Gloucester City Monuments review. Cost £25,000

Cost £80,000 Funded from transfer to reserves.

Total cost of budget amendments: £280,000 funded from transfer to reserves.

81.24 Councillor Pullen stated that he wished to thank officers for their hard work in preparing the budget in difficult circumstances. He stated that he had been a Councillor for several years and had seen around 8 Budgets, all of which had cuts combined with an increase in Council Tax. He stated that he believed that it was positive that Revenues and Benefits were back to being an in house service and that the Food Dock would produce income. He stated that budget savings from the Senior Management Team had been suggested by the Labour Group a few years ago and was then rejected by the administration. He said that the Labour Group supported the move into Eastgate Market, though they had reservations about the cost of the project. He stated that the cyber incident had been caused by the Council not investing properly in IT infrastructure. He said the cyber incident had stopped the Council's ability to communicate properly and that it would strangle the finances of the authority in the upcoming year. He stated that there had been a 'veil of secrecy' regarding communication about the cyber incident. He stated that there was currently a cost of living crisis, an increase in National Insurance coming, spiralling energy and food prices and that the Council budget did not contain anything that would alleviate this. He stated that other Councils were putting in additional money in from their own budgets to go alongside Central Government funding to help with the current financial climate. He stated that there was nothing in the budget to assist with people dealing with hardship. He said that the opposite was the case and that the Council was cutting £200,000 to the Housing and Homeless budget. He said that this would not help to cut inequality as was the target of the Authority. He said that turning to the Labour Group amendments, their proposals would still leave £100,000 in the Cyber Incident Reserves.

81.25 Councillor Pullen said that the Labour Group's first amendment was to create a homelessness prevention and cost of living assistance fund. He said that since the temporary eviction ban had been lifted, thousands of people were at risk of homelessness and a prevention fund could be used to assist with temporary mortgage payments. He said it would help to stop people from going homeless. He said that the fund could also be used to help hard working families, who were struggling with rising energy prices. He said that regarding the Labour Groups second amendment of transferring £80,000 from the Cyber Reserves to the supporting the Race Equality Commission and Monuments Review, they would accept the £10,000 offered by the administration to begin the work. Councillor Pullen thanked officers for putting together the amendments. He said that he believed that they were pragmatic, realistic and would improve the quality of life for Gloucester residents. He added that they could be paid for with an adjustment to the budget.

81.26 Councillor Chambers-Dubus seconded the Labour Group amendments.

81.27 Councillor Chambers-Dubus stated that financial situations could change rapidly and with the knowledge that fuel, and oil prices would go up, there would be a further squeeze on the finances of Gloucester residents and a homeless prevention fund would assist them greatly. She added that ensuring that residents do not end up homeless would save lives and money in the long run. She said that in regard to the second Labour Group amendment, it was incredibly important that the City Council took a lead in supporting the recommendations of the Race Equality Commission and Monuments Review, which would be greatly helped by creating a dedicated part time post to implementing the recommendations at the cost of £25,000. Regarding the Conservative Groups acceptance of £10,000 towards implementing recommendations of the monuments review, that the Labour

Group were pleased that the administration was willing to put money towards it.

81.28 Councillor S. Chambers stated that the administration would not accept the first Labour Group amendment. She stated that the housing budget had been cut as there had been a consistent underspend of £200,000, which was down to the hard work of officers. She noted that the Council focused on homelessness prevention every single day and that it was a statutory duty. She stated that Council had a number of funds to assist families with preventing homelessness. She added that the Council Tax rebate, highlighted previously by Councillor Norman would also help families. She noted that the Holiday Activities and Food Scheme had provided significant help with providing food for persons struggling with food poverty. She further stated that she was working closely with the Council's communications department, so residents were properly informed of how to apply for grants.

81.29 Councillor Wilson stated that he liked the Labour Group amendments but that he and the Liberal Democrat Group could not accept moving finances from the Cyber Reserve Fund and would thus abstain on the amendments. He stated that he was not aware of how much the recovery would cost. He stated that he had nothing but respect for officers dealing with the cyber incident and the cost for rebuilding systems may be large.

81.30 Councillor A. Chambers stated that he believed that it was an excellent budget. He stated that both the County Council and City Council were doing a lot to support residents and to prevent homelessness. He added that the County Council budget had received the support of the Green Party group, such was the popularity of it.

81.31 Councillor Conder asked whether the funds for assisting with hardship could be enumerated on Council Tax statements so that it went to every household and that each resident would be privy to this information.

81.32 Councillor Norman responded that the inserts in Council Tax statements were created long in advance so that was not possible. However, she added that the Communications Team would spread the message so that residents were made aware.

81.33 Councillor Cook stated that he recalled talking to the Overview and Scrutiny about the Race and Equality Commission and that he was implored then to ensure that the City Council took a lead role on implementing their recommendations. He said that he told the Overview and Scrutiny Committee that he would take it to Leadership Gloucestershire, which he had. He said that the City Council would be taking a lead role on the implementation of the Race Equality Commission and Monuments Review recommendations, partially evidenced by the fact that the Managing Director would be helping to steer the project. He futher stated that he had received considerable support from all partners at Leadership Gloucestershire to implement these recommendations. He said that the amounts proposed by Labour in their second amendment were considerably higher than what was needed for Gloucester to make a useful contribution but that the administration would provide £10,000 as a start and would look to add more if that was needed. He noted that Councillor Pullen had highlighted a 'veil of secrecy' regarding the cyber incident. He stated that this was because he had been told by partners not to disclose information about it and that they would share more when it was appropriate, and partners had informed them that this would be acceptable.

81.34 Both Labour Amendments were put to a vote and lost.

81.35 The final budget proposals (including money plan and capital programme) was put to a recorded vote and carried.

	For	**Against**	**Abstain**
	Finnegan	Pullen	Hilton
	Cook	Bhaimia	Wilson
	Norman	Chambers-Dubus	D.Brown
	S. Chambers		Field
	Hudson		J.Brown
	Lewis		Hyman
	Gravells		Bowkett
	Morgan		Castle
	Williams		Conder
	Taylor		Radley
	Organ		Sawyer
	Toleman		
	Brooker		
	Melvin		
	Ackroyd		
	A.Chambers		
	Dee		
	Durdey		
	Evans		
	Kubaszczyk		
	O'Donnell		
	Padilla		
	Zaman		
TOTAL	23	3	11

81.36 **RESOLVED** that

(1) The proposals for the 2022/23 budget included in the report be approved.

(2) It be noted that consultation had been undertaken on budget proposals.

82. COUNCIL TAX SETTING 2022/23

82.1 Councillor Cook proposed and Councillor Norman seconded the motion. The recommendations outlined in the report were put to a recorded vote and carried.

	For	Against	Abstain
	Finnegan		
	Cook		
	Norman		
	S. Chambers		
	Hudson		
	Lewis		
	Hilton		
	Pullen		
	Gravells		
	Morgan		
	Wilson		
	Bhaimia		
	Williams		
	D.Brown		
	Taylor		
	Field		
	Organ		
	Toleman		
	Brooker		
	J.Brown		
	Hyman		
	Melvin		
	Bowkett		
	Ackroyd		
	Castle		
	A.Chambers		
	Chambers-Dubus		
	Conder		
	Dee		
	Durdey		
	Evans		
	Kubaszczyk		
	O'Donnell		
	Padilla		
	Radley		
	Zaman		
	Sawyer		
TOTAL	37	0	0

82.2 **RESOLVED** - that Council approves the statutory Council Tax resolutions as set out in the Appendix 1 of the report.

83. NOTICES OF MOTION

83.1 Councillor Hilton withdrew the following motion:

"This council notes the threat to fell a prominent conifer tree on the corner of St Mary's Street along Gouda Way. This council knows it is admired by many residents who live in the surrounding area and has stood proudly near to the Cathedral for over half a century. This council calls on the leader to withdraw the threat to fell this tree and the neighbouring conifer tree as they form an important part of the natural landscape in this part of the city of Gloucester."

83.2 Councillor Cook proposed and Councillor Hilton seconded the following urgent motion:

"The military invasion by Russia on the borders of Ukraine is threatening and very worrying. Not only are the threats against the Ukrainian people very concerning, an actual attack by the Russian military would undoubtedly kill many thousands of civilians, as well as causing multiple deaths amongst militaries.

This Council believes that Russia has guaranteed the sovereignty of Ukraine in the treaty signed by the US, UK, Russia and Ukraine in 1994, whereby Ukraine agreed to forego its nuclear weapons.

This Council notes that in 2014, Russia annexed Crimea and then took advantage of separatist leanings in the Donbas region to create further unrest which was helped by Russian military aid and encouragement. This Council further notes that President Putin has indicated that Ukraine has no historical precedent and therefore no right to exist.

This Council recognizes that the potential war which may result from this Russian aggression may have considerable and widespread implications, such as further increase in oil and gas prices which would push up prices for already hard pressed families in this country. This would result in increasing inflation and widespread hardship for many all around the world but also here in Gloucester.

This Council calls on Group Leaders to write to the Russian Ambassador to express their concern about the developing situation and urge that efforts are redoubled to find a solution rather than create further discord.

This Council also asks Group Leaders to write to the Ambassador of Ukraine expressing our support and solidarity for their country and people and that the Ukrainian people be allowed to live in peace in an independent sovereign country.

This Council also sends a message of solidarity to the Gloucester branch of the Ukrainians in Great Britain that we support them when their homeland is being invaded."

83.3 Councillor Kubaszczyk proposed and Councillor A.Chambers seconded the following amendment:

"The military invasion by Russia on the borders of Ukraine is threatening and very worrying. Not only are the threats against the Ukrainian people very concerning, an actual attack by the Russian military would undoubtedly kill many thousands of civilians, as well as causing multiple deaths amongst militaries.

This Council believes that Russia has guaranteed the sovereignty of Ukraine in the treaty signed by the US, UK, Russia and Ukraine in 1994, whereby Ukraine agreed to forego its nuclear weapons.

This Council notes that in 2014, Russia annexed Crimea and then took advantage of separatist leanings in the Donbas region to create further unrest which was helped by Russian military aid and encouragement. This Council further notes that President Putin has indicated that Ukraine has no historical precedent and therefore no right to exist.

This Council recognizes that the potential war which may result from this Russian aggression may have considerable and widespread implications, such as further increase in oil and gas prices which would push up prices for already hard pressed families in this country. This would result in increasing inflation and widespread hardship for many all around the world but also here in Gloucester.

This Council calls on Group Leaders to write to the Russian Ambassador to express their concern about the developing situation and urge that efforts are redoubled to find a solution rather than create further discord. **Also to write to the UK Prime Minister urging him to encourage European partners to include in sanctions, banning Russian banks from using the SWIFT payment system.**

This Council also asks Group Leaders to write to the Ambassador of Ukraine expressing our support and solidarity for their country and people and that the Ukrainian people be allowed to live in peace in an independent sovereign country.

This Council also sends a message of solidarity to the Gloucester branch of the Ukrainians in Great Britain that we support them when their homeland is being invaded **and supports the 'We Stand with Ukraine' event taking place on Saturday 26 February 2022 at the Mariner's Church the Docks at 12pm. This Council will also raise the flag of Ukraine alongside the UK flag to coincide with the event".**

83.4 The motion as amended was put to the vote and was carried.

83.5 **RESOLVED** that:

The military invasion by Russia on the borders of Ukraine is threatening and very worrying. Not only are the threats against the Ukrainian people very concerning, an actual attack by the Russian military would undoubtedly kill many thousands of civilians, as well as causing multiple deaths amongst militaries.

This Council believes that Russia has guaranteed the sovereignty of Ukraine in the treaty signed by the US, UK, Russia and Ukraine in 1994, whereby Ukraine agreed to forego its nuclear weapons.

This Council notes that in 2014, Russia annexed Crimea and then took advantage of separatist leanings in the Donbas region to create further unrest which was helped by Russian military aid and encouragement. This Council further notes that President Putin has indicated that Ukraine has no historical precedent and therefore no right to exist.

This Council recognizes that the potential war which may result from this Russian aggression may have considerable and widespread implications, such as further increase in oil and gas prices which would push up prices for already hard pressed families in this country. This would result in increasing inflation and widespread hardship for many all around the world but also here in Gloucester.

This Council calls on Group Leaders to write to the Russian Ambassador to express their concern about the developing situation and urge that efforts are redoubled to find a solution rather than create further discord. Also to write to the UK Prime Minister urging him to encourage European partners to include in sanctions, banning Russian banks from using the SWIFT payment system. This Council also asks Group Leaders to write to the Ambassador of Ukraine expressing our support and solidarity for their country and people and that the Ukrainian people be allowed to live in peace in an independent sovereign country.

This Council also sends a message of solidarity to the Gloucester branch of the Ukrainians in Great Britain that we support them when their homeland is being invaded and supports the ‘We Stand with Ukraine’ event taking place on Saturday 26 February 2022 at the Mariner’s Church the Docks at 12pm. This Council will also raise the flag of Ukraine alongside the UK flag to coincide with the event.

Time of commencement: 6.30 pm hours
Time of conclusion: 8.42 pm hours

Chair

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Agenda Item 9

Gloucester City Council

Meeting:	**Audit & Governance Committee** **Cabinet** **Council**	**Date:**	**7 March 2022** **9 March 2022** **24 March 2022**
Subject:	**Treasury Management Strategy 2022/23**		
Report Of:	**Cabinet Member for Performance and Resources**		
Wards Affected:	**All**		
Key Decision:	**No**	**Budget/Policy Framework:**	**Yes**
Contact Officer:	**Jon Topping, Director of Policy and Resources** **Email: jon.topping@gloucester.gov.uk**	**Tel: 396242**	
Appendices:	**1. Treasury Management Strategy 2022/23**		

FOR GENERAL RELEASE

1.0 Purpose of Report

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

2.0 Recommendations

2.1 Audit and Governance Committee is asked to **RECOMMEND** that the Treasury Management Strategy be approved.

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

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

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

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

3.0 Background and Key Issues

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

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

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

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

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

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

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

4.0 Alternative Options Considered

4.1 The following option has been considered:

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

5.0 Reasons for Recommendations

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

6.0 Future Work and Conclusions

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

7.0 Financial Implications

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

8.0 Social Value Considerations

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

9.0 Legal Implications

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

10.0 Risk & Opportunity Management Implications

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

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

11.0 People Impact Assessment (PIA):

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

12.0 Other Corporate Implications

Community Safety

12.1 None

Sustainability

12.2 None

Staffing & Trade Union

12.3 None

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

Appendix 1

Treasury Management Strategy 2022/23

1. Introduction

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

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

The revised codes will have the following implications:

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

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

Treasury management
Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury

investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

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

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

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

1.1 Background

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

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

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

CIPFA defines treasury management as:

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

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

1.2 Reporting requirements

1.2.1 Capital Strategy

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

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

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

1.2.2 Treasury Management reporting

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

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

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

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

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

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

1.3 Treasury Management Strategy for 2022/23

The strategy for 2022/23 covers two main areas:

Capital issues

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

Treasury management issues

- the current treasury position;

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

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

1.4 Training

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

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

1.5 Treasury management consultants

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

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

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

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

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

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

2.1 Capital expenditure

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

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

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

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

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

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

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

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

The Council is asked to approve the CFR projections below:

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

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

2.3 Core funds and expected investment balances

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

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

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

2.4 Minimum revenue provision (MRP) policy statement

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

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

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

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

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

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

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

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

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

3 BORROWING

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

3.1 Current portfolio position

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

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

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

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

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

3.2 Treasury Indicators: limits to borrowing activity

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

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

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

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

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

3.3 Prospects for interest rates

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

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

Additional notes by Link on this forecast table: -

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

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

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

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

Significant risks to the forecasts

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

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

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

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

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

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

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

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

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

The balance of risks to the UK economy: -

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

Forecasts for Bank Rate

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment and borrowing rates

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

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

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

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

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

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

3.4 Borrowing strategy

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

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

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

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

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

3.5 Policy on borrowing in advance of need

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

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

3.6 Debt rescheduling

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

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

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

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

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

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

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

3.8 Approved Sources of Long and Short term Borrowing

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

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.2 Creditworthiness policy

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

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

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

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

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

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

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

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

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

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

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

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

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

Creditworthiness.

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

CDS prices

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

4.3 County limits

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

4.4 Investment strategy

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

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

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

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

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

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

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

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

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

4.5 Investment risk benchmarking

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

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

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

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

Yield - local measures of yield benchmarks are:

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

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

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

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

4.6 End of year investment report

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

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

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

5.1.1 Capital expenditure

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

5.1.2 Affordability prudential indicators

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

a. Ratio of financing costs to net revenue stream

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

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

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

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

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

5.1.3 Maturity structure of borrowing

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

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

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

10 years and above	0%	100%

5.1.4. Control of interest rate exposure

Please see paragraphs 3.3, 3.4 and 4.4.

6 APPENDICES

1. Interest rate forecasts

2. Economic background

3. Treasury management practice 1 – credit and counterparty risk management (option 1)

4. Approved countries for investments

5. Treasury management scheme of delegation

6. The treasury management role of the section 151 officer

6.1 INTEREST RATE FORECASTS 2021 – 2025

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

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

6.2 ECONOMIC BACKGROUND

COVID-19 vaccines.

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

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

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

MPC MEETING 16H DECEMBER 2021

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6.4 APPROVED COUNTRIES FOR INVESTMENTS

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

Based on lowest available rating

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

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

6.5 TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Council

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

(ii) Audit and Governance Committee

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

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

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

6.6 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

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

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

Agenda Item 10

Meeting:	**Audit & Governance Committee** **Cabinet** **Council**	**Date:**	**7 March 2022** **9 March** **24 March 2022**
Subject:	**Capital Strategy 2022/23**		
Report Of:	**Cabinet Member for Performance and Resources**		
Wards Affected:	**All**		
Key Decision:	**No** **Budget/Policy Framework:**		**Yes**
Contact Officer:	**Jon Topping, Director of Policy and Resources** **Email: jon.topping@gloucester.gov.uk**	**Tel: 396242**	
Appendices:	**1. Capital Strategy 2022/23**		

FOR GENERAL RELEASE

1.0 Purpose of Report

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

2.0 Recommendations

2.1 Audit and Governance Committee is asked to **RECOMMEND** that the Capital Strategy be approved.

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

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

3.0 Background and Key Issues

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

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

4.0 Alternative Options Considered

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

5.0 Reasons for Recommendations

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

6.0 Future Work and Conclusions

6.1 The Capital Strategy will be monitored and reviewed annually.

7.0 Financial Implications

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

8.0 Social Value Considerations

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

9.0 Legal Implications

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

10.0 Risk & Opportunity Management Implications

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

11.0 People Impact Assessment (PIA):

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

12.0 Other Corporate Implications

<u>Community Safety</u>

12.1 None

Sustainability

12.2 None

Staffing & Trade Union

12.3 None

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

Appendix 1

Introduction

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

Background

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

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

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

Policy Context

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

"Building a greener, fairer, better Gloucester"

The priorities to support this vision are:

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

The vision and priorities are underpinned by our core values.

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

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

Capital Expenditure and Financing

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table 2: Capital financing in £ millions

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

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

Table 3: Replacement of debt finance in £ millions

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

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

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

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

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

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

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

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

Table 5: Capital receipts in £ millions

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

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

Treasury Management

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investments for Service Purposes

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

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

Liabilities

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

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

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

Revenue Budget Implications

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

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

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

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

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

Knowledge and Skills

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

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

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Agenda Item 11

Gloucester City Council

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

FOR GENERAL RELEASE

1.0 Purpose of Report

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

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

2.0 Recommendations

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

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

3.0 Background and Key Issues

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

4.0 Social Value Considerations

4.1 None

5.0 Environmental Implications

5.1 None

6.0 Alternative Options Considered

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

7.0 Reasons for Recommendations

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

8.0 Future Work and Conclusions

8.1 None.

9.0 Financial Implications

9.1 None.

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

10.0 Legal Implications

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

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

11.0 Risk & Opportunity Management Implications

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

12.0 People Impact Assessment (PIA) and Safeguarding:

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

13.0 Community Safety Implications

13.1 None

14.0 Staffing & Trade Union Implications

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

Background Documents: None

APPENDIX 1

Gloucester City Council

Pay Policy Statement 2022/23

Introduction and Purpose

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

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

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

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

Legislative Framework

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

Pay Structure

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

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

Grade	Spinal Column Points		Pay Scale	
	From	To	Minimum £	Maximum £
A	1	3	18,333	18,887
B	4	5	19,264	19,650
C	6	8	20,043	20,852
D	10	14	21,695	23,484
E	16	20	24,432	26,446
F	21	25	26,975	30,095
G	26	29	30,984	33,486
H	31	35	35,336	39,571

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

Grade	Job Size	Pay Scale	
		Minimum £	Maximum £
I	1	40,480	45,538
J	1	46,549	49,533
K	2	50,535	53,528
L	2	54,722	58,628
M	3	59,432	65,239
N	3	66,530	72,486
Job Size 4	4	75,227	83,144
Job Size 5 (SMT1)	5	89,024	98,393

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

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

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

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

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

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

Pay Awards

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

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

Chief Officers' Remuneration

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

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

The Chief Officer posts falling within the statutory definition are set out below, with details of their basic full-time equivalent (FTE) salary as at 1 April 2021.

a) Managing Director

The current salary of the post is £124,793 per annum.

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

b) Directors

The salaries of posts designated as Directors fall within a range between £89,024 rising to a maximum of £98,393. Progression through the range is subject to performance.

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

c) Heads of Place and Culture

The salaries of the posts are designated "Head of" are job size 4 and fall within the range of £75,227 to £83,144. Progression through the range is subject to performance.

Other Management posts reporting to the Senior Management Team

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

Recruitment of Chief Officers

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

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

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

Interim appointments

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

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

Additions to Salaries of Chief Officers

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

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

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

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

Payments on Termination

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

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

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

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

Any other allowances arising from employment

The following allowances apply to all employees:

Payment for acting up or additional duties

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

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

Unsocial hours payments

The Council does not make unsocial hours payments to Chief Officers

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

Recruitment and retention allowances

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

Car and motor cycle allowances

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

Lowest Paid Employees

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

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

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

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

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

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

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

The multiples are as follows*:

	Annual salary FTE	**Multiplier**
Highest paid taxable earnings	£124,793	N/A
Median earnings	£25,884	4.8
Lowest earnings	£18,562	6.7

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

Publication

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

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

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

Accountability and Decision Making

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

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

Policy review

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

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

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Agenda Item 12

Gloucester City Council

Meeting:	**Council**	**Date:**	**24 March 2022**
Subject:	**Continuation of the Gloucestershire Economic Growth Joint Committee until 31 March 2023**		
Report Of:	**Leader of the Council**		
Wards Affected:	**All**		
Key Decision:	**No**	**Budget/Policy Framework:**	**No**
Contact Officer:	**Jon McGinty, Managing Director**		
	Email: jon.mcginty@gloucester.gov.uk	**Tel: 396200**	
Appendices:	**1. Report to Council, 9th July 2020**		

FOR GENERAL RELEASE

1.0 Purpose of Report

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

2.0 Recommendations

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

(i) Agree to the GEGJC continuing to operate until 31 March 2023, and

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

3.0 Background

3.1 Members at the time will recall that the Council considered and approved a report in July 2020, extending the operation of the Gloucestershire Economic Growth Joint Committee (GEGJC) for a period of 18 months to expire on 4 March 2022. A copy of the report is set out in Appendix 1. Members will note that the decision in 2020 removed the requirement for 12 months' notice for any future changes to the agreement.

3.2 The eighteen-month period was to allow Gloucestershire local authorities to continue to work collaboratively together on Gloucestershire's economic development through the Joint Committee. At its June 2020 meeting, the Joint Committee also identified that it will be supporting the economic recovery of the County because of the economic impact of Covid-19. The 18-month extension was to enable the Joint Committee to oversee the strategy development and delivery, as the principal partnership based economic co-ordination forum.

3.3 Implicit in the previous extension was the need to review the operation of the GEGJC and whether it remained the appropriate forum to consider joint working on Economic Growth and managing the funds held for Economic Growth generated by the Business Rates Pooling arrangements in the County.

3.4 Gloucestershire Authorities considered the future governance arrangements for leading economic growth in the County at its Leadership Gloucestershire meeting in June 2021. Leadership Gloucestershire was mindful that the government would be publishing the ‘Levelling Up’ white paper which would potentially impact the future governance and partnership arrangements. It was anticipated, at that time, that the White Paper could be available before Christmas which would allow Officers and Members time to consider the issues raised by its proposals and develop governance proposals in respect of the future economic agenda for Gloucestershire.

3.5 Unfortunately, the anticipated White Paper was delayed and was only published in February 2022. Consequently, at its meeting in January 2022 Leadership Gloucestershire considered three options in respect of the continuation of GEGJC pending publication of the anticipated White Paper:

- Do nothing and let GEGJC terminate in March 2022 – this will mean there is no formal partnership decision making body on economic issues and specifically no joint administering body for the Strategic Economic Development Fund (SEDF). Unless alternative governance arrangements were established for the SEDF, the funds would need to be handed back to the business rates pool authorities.
- Extend the life of the GEGJC for say 12 months, or for as long as needed, and carry on as at present. This is the simplest option and will not require significant work to amend the Inter Authority Agreement (IAA). It will simply require a resolution from each local authority to continue GEGJC for the period agreed.
- An alternative to option 2, would be to extend the life of the GEGJC, but limit agenda items to SEDF decisions. The Gloucestershire City Region Board could then be used for all other strategic discussion, offering a wider partnership forum for these items. This option could be delivered by simply managing the GEGJC agenda and could be done without the need for significant amendments to the IAA.

3.6 Gloucestershire Authorities at the Leadership Gloucestershire meeting favoured option 2 as the simplest and least disruptive. The further extension of the IAA to continue until 31 March 2023 to enable the GEGJC to continue until that time, and review of the governance arrangements in respect of the future economic agenda for Gloucestershire to take place during that period.

4.0 Alternative Options Considered

4.1 Not to agree to the Joint Committee continuing until 31 March 2023 will result in there being no other formal joint decision-making arrangements across Gloucestershire local authorities in place to promote the economy and support the economic response to COVID19.

5.0 Reasons for Recommendations

5.1 To enable the Gloucestershire Economic Growth Joint Committee to continue to operate until 31 March 2023.

6.0 Financial Implications

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

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

7.0 Legal Implications

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

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

8.0 Risk & Opportunity Management Implications

8.1 The proposed extension of the IAA until 31 March 2023 to enable the Joint Committee to continue to operate until that date does not present any particular risks to the authority.

9.0 People Impact Assessment (PIA)

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

10.0 Other Corporate Implications

<u>Community Safety</u>

10.1 None

<u>Sustainability</u>

10.2 None

<u>Staffing and Trade Union</u>

10.3 None

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Gloucester City Council

Meeting:	**Council**	**Date:**	**9th July 2020**
Subject:	**Governance arrangements for the Gloucestershire Economic Growth Joint Committee**		
Report Of:	**Leader of the Council**		
Wards Affected:	**All**		
Key Decision:	**No**	**Budget/Policy Framework:**	**No**
Contact Officer:	**Ian Edwards, Head of Place**		
	Email: ian.edwards@gloucester.gov.uk	**Tel: 01452 396034**	
Appendix:	**1. Report to GEGJC, 3rd June 2020**		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To consider a request from the Gloucestershire Economic Growth Joint Committee to extend the operation of the Joint Committee for a period of 18 months from 4 September 2020 together with agreeing to waive the 12 months' notice period set out in the Inter Authority Agreement between the partner authorities to enable the Joint Committee to continue.

2.0 Recommendations

2.1 Council is asked **RESOLVE** to:

(1) waive and remove the twelve months' notice period set out in the Inter-Authority Agreement dated 4 September 2014 required to extend the Inter-Authority Agreement, including removing the need for future notice periods

(2) agree to the Joint Committee continuing to operate from September 2020 for a period of eighteen months

(3) delegate authority to the Head of Place in consultation with the Leader of the Council to agree and complete the appropriate legal formalities to allow the Inter-Authority Agreement to be extended for 18 months to enable the Joint Committee to continue until March 2022.

3.0 Background

3.1 At its meeting on 3rd June 2020, the Gloucestershire Economic Growth Joint Committee considered a report about its overall governance arrangements. A copy of the report is set out in the Appendix.

3.2 The report included an update regarding the Inter-Authority Agreement (IAA) dated 4 September 2014 which all Gloucestershire local authorities entered into to establish the Joint Committee. The report to the Joint Committee confirmed that its initial term was for a five year term which is due to end in September 2020.

3.3 The Joint Committee considered a proposal to extend its future operation for a further eighteen months following the end of the IAA in September 2020 and resolved to:
Request the partner authorities to waive and remove the twelve months' notice period set out in the Inter-Authority Agreement dated 4 September 2014, including removing the need for future notice periods, and to agree to the GEGJC continuing to operate from September 2020 for a period of eighteen months.

3.4 The proposed eighteen month period will allow Gloucestershire local authorities to continue to work collaboratively together on Gloucestershire's economic development through the Joint Committee. At its June meeting, the Joint Committee also identified that it will be supporting the economic recovery of the County as a result of the economic impact of COVID19. The 18 month extension will enable the Joint Committee to oversee the strategy development and delivery, as the principal partnership based economic co-ordination forum.

4.0 Alternative Options Considered

4.1 To not agree to the Joint Committee continuing for a further 18 months will result in there being no other formal joint decision making arrangements across Gloucestershire local authorities in place to promote the economy and support the economic response to COVID19.

5.0 Reasons for Recommendations

5.1 To enable the Gloucestershire Economic Growth Joint Committee to continue to operate for a further 18 months from September 2020.

6.0 Financial Implications

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

7.0 Legal Implications

7.1 The IAA includes a provision to extend the committee which is triggered by 12 months notice being served by any of the partner authorities. This did not take place before September 2019 and this provision in the IAA will need to be waived to enable the Joint Committee to continue until March 2022.

8.0 Risk & Opportunity Management Implications

8.1 The proposed eighteen month extension to the Joint Committee does not present any particular risks to the authority.

9.0 People Impact Assessment (PIA)

9.1 The proposed 18 month continuation of the Joint Committee will not have any significant equality implications.

10.0 Other Corporate Implications

Community Safety

10.1 None

Sustainability

10.2 None

Staffing and Trade Union

10.3 None

APPENDIX 1 – REPPORT TO THE GLOUCESTERSHIRE ECONOMIC GROWTH JOINT COMMITTEE ON 3RD JUNE 2020

UPDATE ON THE GOVERNANCE ARRANGEMENTS FOR

THE GLOUCESTERSHIRE ECONOMIC GROWTH JOINT COMMITTEE

Meeting	Gloucestershire Economic Growth Joint Committee (GEGJC) 3 June 2020
Report Author	Gillian Parkinson Assistant Director, Legal Services (Gloucestershire County Council) Tel: 01452 328729 e- mail: gillian.parkinson@gloucestershire.gov.uk
Background documents	The partner authorities' decisions to formulate the Joint Committee and appoint Gloucestershire County Council as the administering authority.
Location/Contact for inspection of background documents	Gloucestershire County Council Democratic Services Shire Hall Gloucester
Main Consultees	Senior Officer Group
Planned Dates	September 2020 – completion of agreement for the future operation of the Joint Committee
Purpose of report	To provide an update on the Committee's overall governance arrangements and to propose the continuation of the Joint Committee from September 2020.
Recommendations	**1. To note the overall governance arrangements for the Gloucestershire Economic Growth Joint Committee (GEGJC) set out in this report.** **2. To request the partner authorities to waive and remove the twelve months notice period set out in the Inter-Authority Agreement dated 4 September 2014, including removing the need for future notice periods, and to agree to the GEGJC continuing to operate from September 2020 for a period of eighteen months.**
Reason for recommendations	To allow the GEGJC to continue to operate from September 2020.
Resource Implications	As set out in the body of the report.

1. Background

1.1 The Committee was formed[i] on 4 September 2014 through an Inter Authority Agreement (IAA) between the County Council and Gloucestershire district authorities, which sets out the parameters within which it is to operate and its terms of reference.

1.2 Under the IAA, GEGJC has executive powers which are broadly defined, including:

"To do anything it considers likely to achieve the promotion or improvement of the economic wellbeing of the area of Gloucestershire."

However, these powers are constrained by the following factors:

- Each individual partner retains the right to promote or undertake economic activity within its area (albeit the agreement also requires partners to advise GEGJC before adopting a position that is at odds with that of the Joint Committee);
- GEGJC is required to obtain the prior agreement of each partner(s) before considering a matter for decision in respect of that partner's area;
- The budget available to GEGJC

2. The GEGJC decision making powers

2.1 The GEGJC is empowered to take executive decisions within the scope of its powers, which, as mentioned above, are broad in their definition.

2.2 The GEGJC confirmed at its meeting on 21 November 2018 that each member of the Committee will need to be empowered by their relevant Council to enable them to take the decision to be taken at the Committee. This would have been a matter for each partner authority at the time the Committee was established in 2014.

As mentioned above, the requirement set out in the IAA confirms the GEGJC shall not consider a matter for decision in respect of a partner authority's area without first obtaining the prior agreement of that partner authority.

In other words, in theory a partner can prevent GEGJC from considering a decision, but once it has granted agreement for that decision to be considered, that decision rests with and is subject to a majority vote by GEGJC.

2.3 Decisions are to be taken by majority vote of the voting members of the committee (with provisions for a quorum and chair's casting vote also set out). The Chair of the GFirst LEP and one other member are also members of the committee, although they do not have any voting powers.

2.4 The IAA also confirms that the GCC constitution shall apply to the committee. This means that the procedural rules of decision making set out in the GCC constitution apply where the committee is taking executive decisions, including:

- Meetings to be conducted in public
- A forward plan of decisions to be considered by the committee
- Reports to be published 5 days in advance
- Decision notices published following the meeting

2.5 Any decisions taken by GEGJC are subject to the call-in procedures of each of the partner authorities. If one partner calls in a decision, it is subject to the procedures of that partner individually. If more than one partner calls in a decision, it is to be considered jointly by the Joint Economic Growth Scrutiny Committee.

3. Governance arrangements to support the GEGJC

3.1 The IAA confirms that Gloucestershire County Council is responsible for the governance of the Committee, as the Administering Authority.

3.2 A Senior Officers Group has been established to support the partnership, but formal governance remains the responsibility of the Administering Authority, in particular:

- GCC's s151 officer acts as the s151 officer for GEGJC.
- GCC's monitoring officer acts as the monitoring officer for GEGJC

4. GEGJC's Budget Setting process

4.1 The Senior Officers Group oversees the formation and development of GEGJC's draft budget, essentially negotiating and proposing how much each authority should contribute.

4.2 Each authority's contribution is then taken through the budget-setting cycle as part of its own decision-making processes, referring any proposed amendments to the draft budget back to GEGJC.

Each partner has until 18th February each year to approve any amendments to the draft budget.

The final budget is then approved by GEGJC by 28th February.

4.3 In the event that either partners or GEGJC fails to approve a draft budget by 26th February, the Joint Committee operates within the previous year's budget (adjusted for inflation) until such time as agreement is reached.

5. Future arrangements for the GEGJC

5.1 The IAA confirms that the initial term for the GEGJC was for a five year term which is due to end in September 2020. Therefore, arrangements now need to be put in place for the future operation of the Joint Committee. However, currently there are no other joint working arrangements to promote the economy under development in the County. It is proposed to extend the future operation of the Joint Committee for a further eighteen months following the end of the IAA in September 2020.

The IAA recognised that the GEGJC may continue for a further period and allowed the partner authorities to agree to extend the agreement not less than 12 months before expiry of the agreement. None of the partner authorities have agreed to the extension within this timeframe; however, it is open to the partner authorities to agree to waive and remove such notice period to enable the Joint Committee to continue. Therefore, the proposal is for each partner authority to confirm the future operation of the Joint Committee for the next eighteen months until March 2022.

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[i] The committee is formed under sections 101 (5) and 102 of the Local Government Act 1972 and under Part 1A chapter 2 section 9EB of the Local Government Act 2000 and pursuant to the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012 and any other enabling legislation.

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