17 January 2022

Committee	Council
Date	Tuesday, 25 January 2022
Time of Meeting	6:00 pm
Venue	Tewkesbury Borough Council Offices, Severn Room

ALL MEMBERS OF THE COUNCIL ARE REQUESTED TO ATTEND

Agenda

1. ANNOUNCEMENTS

1. When the continuous alarm sounds you must evacuate the building by the nearest available fire exit. Members and visitors should proceed to the visitors' car park at the front of the building and await further instructions (during office hours staff should proceed to their usual assembly point; outside of office hours proceed to the visitors' car park). Please do not re-enter the building unless instructed to do so.

   In the event of a fire any person with a disability should be assisted in leaving the building.

2. To receive any announcements from the Chair of the Meeting and/or the Chief Executive.

2. APOLOGIES FOR ABSENCE

	Item	Page(s)
3.	**DECLARATIONS OF INTEREST**	
	Pursuant to the adoption by the Council on 26 June 2012 of the Tewkesbury Borough Council Code of Conduct, effective from 1 July 2012, as set out in Minute No. CL.34, Members are invited to declare any interest they may have in the business set out on the Agenda to which the approved Code applies.	
4.	**MINUTES**	1 - 11
	To approve the Minutes of the meeting held on 7 December 2021.	
5.	**ITEMS FROM MEMBERS OF THE PUBLIC**	
	a) To receive any questions, deputations or petitions submitted under Council Rule of Procedure.12. *(The deadline for public participation submissions for this meeting is 19 January 2022).* b) To receive any petitions submitted under the Council's Petitions Scheme.	
6.	**MEMBER QUESTIONS PROPERLY SUBMITTED IN ACCORDANCE WITH COUNCIL PROCEDURE RULES**	
	To receive any questions submitted under Rule of Procedure 13. Any items received will be circulated on Monday 24 January 2022. *(Any questions must be submitted in writing to Democratic Services by, not later than, 10.00am on* 17 January 2022*).*	
7.	**MEMBER ALLOWANCES SCHEME 2022/23**	12 - 25
	To determine the Scheme of Allowances to take effect on 1 April 2022 until 31 March 2023 having regard to the recommendations of the Independent Remuneration Panel.	
8.	**APPOINTMENT OF CIVIC HEADS FOR THE MUNICIPAL YEAR**	
	To recommend the appointment of Civic Heads for the Municipal Year 2022/23. 1. **Mayor** It is usual practice that the current Deputy Mayor be appointed Mayor for the ensuing Municipal Year. 2. **Deputy Mayor** To receive nominations for the appointment of Deputy Mayor for the ensuing Municipal Year.	

	Item	Page(s)

9. RECOMMENDATION FROM EXECUTIVE COMMITTEE

The Council is asked to consider and determine recommendations of a policy nature arising from the Executive Committee as follows:-

(a) Treasury and Capital Management 26 - 59

At its meeting on 5 January 2022 the Executive Committee considered a suite of treasury and capital management documents and **RECOMMENDED TO COUNCIL** that the following strategies and statements be **ADOPTED**:

- The Capital Strategy 2022/23.
- The Investment Strategy 2022/23.
- The Minimum Revenue Provision Statement 2022/23.
- The Treasury Management Strategy 2022/23

10. RECOMMENDATION FROM AUDIT AND GOVERNANCE COMMITTEE

(a) Appointment of External Auditor 60 - 66

At its meeting on 15 December 2021 the Audit and Governance Committee considered the appointment of external auditors and **RECOMMENDED TO COUNCIL** that the Public Sector Audit Appointments (PSAA) invitation to 'opt-in' to the sector led national scheme for the appointment of external auditors for the five financial years commencing 1 April 2023 be accepted.

11. SCHEDULE OF MEETINGS 67 - 69

To approve the Schedule of Meetings for 2022/23.

Recording of Meetings

In accordance with the Openness of Local Government Bodies Regulations 2014, please be aware that the proceedings of this meeting may be recorded and this may include recording of persons seated in the public gallery or speaking at the meeting. Please notify the Democratic Services Officer if you have any objections to this practice and the Mayor will take reasonable steps to ensure that any request not to be recorded is complied with.

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.

Head of Democratic Services

for Borough Solicitor

TEWKESBURY BOROUGH COUNCIL

Minutes of a Meeting of the Council held at the Council Offices, Gloucester Road, Tewkesbury on Tuesday, 7 December 2021 commencing at 6:00 pm

Present:

The Worshipful the Mayor	Councillor A S Reece
Deputy Mayor	Councillor J W Murphy

and Councillors:

K Berliner, R A Bird, G F Blackwell, G J Bocking, C L J Carter, C M Cody, K J Cromwell, J H Evetts, P A Godwin, M A Gore, D W Gray, D J Harwood, M L Jordan, E J MacTiernan, J R Mason, H C McLain, P D McLain, C E Mills, H S Munro, P W Ockelton, C Reid, J K Smith, P E Smith, R J G Smith, V D Smith, C Softley, R J Stanley, P D Surman, M G Sztymiak, S Thomson, R J E Vines, M J Williams and P N Workman

CL.40 ANNOUNCEMENTS

40.1 The evacuation procedure, as noted on the Agenda, was advised to those present.

40.2 The Mayor welcomed the new Borough Councillor for Brockworth East, Councillor Charlotte Mills.

CL.41 APOLOGIES FOR ABSENCE

41.1 Apologies for absence were received from Councillors M Dean and R D East.

CL.42 DECLARATIONS OF INTEREST

42.1 The Committee's attention was drawn to the Tewkesbury Borough Council Code of Conduct which was adopted by the Council on 26 June 2012 and took effect from 1 July 2012.

42.2 The following declarations were made:

Councillor	Application No./Item	Nature of Interest (where disclosed)	Declared Action in respect of Disclosure
K Berliner	Item 8 – Planning Scheme of Delegation.	Is a Member of Woodmancote Parish Council.	Would speak and vote.
G F Blackwell	Item 8 – Planning Scheme of Delegation.	Is a Member of Churchdown and Hucclecote Parish Councils.	Would speak and vote.

G J Bocking	Item 8 – Planning Scheme of Delegation.	Is a Member of Churchdown and Innsworth Parish Councils.	Would speak and vote.
C L J Carter	Item 8 – Planning Scheme of Delegation.	Is a Member of Brockworth Parish Council.	Would speak and vote.
C M Cody	Item 8 – Planning Scheme of Delegation.	Is a Member of Tewkesbury Town Council.	Would speak and vote.
P A Godwin	Item 8 – Planning Scheme of Delegation.	Is a Member of Northway Parish Council.	Would speak and vote.
D W Gray	Item 8 – Planning Scheme of Delegation.	Is a Member of Winchcombe Town Council.	Would speak and vote.
D J Harwood	Item 8 – Planning Scheme of Delegation.	Is Chair of Brockworth Parish Council.	Would speak and vote.
M L Jordan	Item 8 – Planning Scheme of Delegation.	Is a Member of Churchdown Parish Council.	Would speak and vote.
E J MacTiernan	Item 8 – Planning Scheme of Delegation.	Is a Member of Northway Parish Council.	Would speak and vote.
J R Mason	Item 8 – Planning Scheme of Delegation.	Is Chair of Winchcombe Town Council.	Would speak and vote.
P W Ockelton	Item 8 – Planning Scheme of Delegation.	Is a Member of Innsworth Parish Council.	Would speak and vote.
A S Reece	Item 8 – Planning Scheme of Delegation.	Is a Member of Bishops Cleeve Parish Council.	Would speak and vote.
C Reid	Item 8 – Planning Scheme of Delegation.	Is a Member of Wheatpieces Parish Council.	Would speak and vote.
J K Smith	Item 8 – Planning Scheme of Delegation.	Is a Member of Highnam Parish Council.	Would speak and vote.
R J G Smith	Item 8 – Planning Scheme of Delegation.	Is a member of Churchdown Parish Council.	Would speak and vote.

V D Smith	Item 8 – Planning Scheme of Delegation.	Is a Member of Tewkesbury Town Council.	Would speak and vote.
P D Surman	Item 8 – Planning Scheme of Delegation.	Is a Member of Shurdington Parish Council.	Would speak and vote.
M G Sztymiak	Item 8 – Planning Scheme of Delegation.	Is a Member of Tewkesbury Town Council.	Would speak and vote.

42.3 There were no further declarations made on this occasion.

CL.43 MINUTES

43.1 The Minutes of the meeting held on 20 October 2021, copies of which had been circulated, were approved as a correct record and signed by the Mayor.

43.2 A Member noted that he was still awaiting the information promised at that meeting in response to his supplementary question as set out at Minute No. CL.33.4.

CL.44 ITEMS FROM MEMBERS OF THE PUBLIC

44.1 There were no items from members of the public.

CL.45 MEMBER QUESTIONS PROPERLY SUBMITTED IN ACCORDANCE WITH COUNCIL PROCEDURE RULES

45.1 The following questions had been received from Councillor Ockelton to the Leader of the Council. The answers were given by the Leader of the Council, Councillor Bird, but were taken as read without discussion.

At January 2021 Council meeting I asked several questions, one being

"As TBC have lost 64% of appeals, I would suggest that the strategic plan is demonstrably flawed. Would Cllr Bird please inform Council, as to the cost to the taxpayer of these appeals and, what is his plan B".

I was given written responses the following month. Can I thank the Leader of the Council and the member for Built Environment for their replies?

However, I would ask for a much fuller response, from the Leader of the Council, this time to actually answering the question instead of asking one himself and I quote: -

"Before any response can be made, further information is requested as to the derivation of the specified percentage of appeal losses". To clarify, noun "derivation", the action of obtaining something from source or origin.

The source of the percentage question was a report, by Pegasus Group, Proof of Evidence on Housing Need and Supply Matters on the appeal reference APP/G1630/W/18/3210903, Land at Fiddington, Ashchurch, Near Tewkesbury, Gloucester dated 7 July 2019, LPA (TBC) Reference 17/00520/OUT, Statement of Common Ground and other information included at that appeal which are held by the Planning Department.

Question 1

Will the Leader of the Council please give Council a full and detailed answer to the cost to the taxpayers of lost appeals for major housing development, in the plan period 2011 to date, to now include the appeals lost this financial year.

Answer

The cost to the Council of lost appeals for major housing development includes external costs for Counsel / Advocate's fees together with the costs of appointing consultants as required to give evidence on behalf of the Council (e.g. landscape evidence, planning evidence, arboricultural evidence). In addition, there are significant amounts of work carried out by Council officers to prepare for appeals including, where required, attendance at Public Inquiries. Whilst those costs for which invoices are raised can be quantified, Council Officers do not routinely record their time and it is therefore not practically possible, over the period 2011 – 2021, to quantify the officer time spent on those appeals. I can confirm that the total of the external costs to the Council of the 16 appeals for major housing development that have been lost during the period 2011 to date, including related High Court challenges, amounts to £454.130.32.

Question 2

The Statement of Common Ground agreed by the Council and the Appellants in respect of the appeal for residential development at Fiddington held in June 2019 included the following:

- "It is agreed that there is a considerable level of housing need in Tewkesbury Borough, and this is worsening year on year".
- It is agreed that if the approach to land supply as recently endorsed by the Secretary of State in the Highnam Appeal decision is adopted, then using the Councils figures it is able to demonstrate a 2.77-year land supply.
- It is agreed that the five-year land supply shortfall will worsen from now (07 06 2019) and in the coming years.
- It is agreed that the JCS identifies that there was a plan shortfall of 2,455 homes. It is agreed that there is no plan in place to address this.

Would the Leader of the Council agree with the comments within the SOCG made above?

Answer

That is an accurate statement of the Council's position as at 7 June 2019, the date when this Statement was prepared.

Question 3

As the Conservative administration has failed completely on the issue of housing land supply and more importantly, as pointed out by the planning inspector and supported by Mr Justice Dove, repeatedly on the Highnam and recent Gotherington appeals, the lack of deliverable sites in the housing trajectory, what has the administration in mind to rectify this grotesque mismanagement of the plan led process?

Answer

The Council has worked hard to prepare a Local Plan to reflect the needs of the Borough. The Local Plan has been through an independent examination and the Inspector has advised the Council that, subject to main modifications which the Council is currently consulting upon, the Plan will be sound. Upon the adoption of the Tewkesbury Borough Plan, anticipated in Spring 2022, the Council will have a 5-year housing supply.

45.2 The Mayor invited the Member to ask any supplementary questions. The Member asked the following and responses were provided as detailed below:

1. Would the Leader of the Council agree that once the final cost comes in on the Gotherington appeal and we give an estimated cost to staff time the cost would be closer to a million pounds?

   The Leader undertook to provide a written response following the meeting.

2. Would it be fair to say that with the decision at Highnam even officers had started to question the methodology "the decision has run contrary on a particular element of our calculation" which means we don't have a 5YHLS.

   The Leader advised that the response to the original questions set out what the Council was doing to ensure it was soon able to demonstrate a five-year housing land supply.

3. I would thank the Leader of the Council again for his response. However, if Cllr Bird agrees with question two then the basis for his response is flawed! He is basing his answer on the Council currently having over a four year Housing Land supply. The statement of common ground and the findings of Mr Justice Dove on both the Highnam and Gotherington appeals quite clearly put TBC's current housing trajectory below two years. How would Cllr Bird address that?

   The Leader advised that the Housing Land supply had been addressed in the preparation of the Local Plan and upon its adoption, the Council would have a five-year supply.

45.3 The following questions had been received from Councillor Munro to the Lead Member for Built Environment, Councillor Gore. The answer was given by the Lead Member for Built Environment, Councillor Gore, but was taken as read without discussion.

Question:

Please can Members be updated with the progress the S106 Officer has made since appointment on updating the S106 system and the timeline with dates for the tasks that need to be completed to enable planning staff and Members to have clear visibility of all S106 agreements, upcoming trigger points and dates in S106 agreements?

Answer:

Overview

S106 deeds are currently visible to the public in their entirety via the Tewkesbury Borough website 'Planning – Simple Search' tool. The current monitoring software EXACOM, purchased previously by the council, is specifically designed for the monitoring of S106 and CIL obligations and has the option to purchase a publicly accessible module. Once EXACOM is up to date the public module would allow for S106 financial obligations due, received, and spent to be viewed in real time.

A S106 monitoring officer has been in position since 5 October 2021 and is employed on a fixed two-year contract of twenty-two hours a week. The overall objective for the monitoring officer is to create an efficient, streamlined, and transparent process for the implementation, monitoring, and delivery of S106's at Tewkesbury Borough Council. Steady progress is being made through taking a multi focus approach which includes 1) updating the current system 2) implementing monitoring practices for current developments and 3) working towards creating robust processes for all future monitoring and funding. With regards to timelines, these are difficult to quantify at this stage given the complexity of the task of updating the system which involves collating large amounts of information from a variety of sources. Added to this are the ongoing tasks of responding to live requests and the establishment and monitoring of current obligations. Therefore, all dates provided below are provisional.

Objectives, timelines, and related tasks

Updating monitoring software (EXACOM)

Purpose To allow for an efficient monitoring review system of S106's moving forward, production of annual infrastructure and quarterly reports, and to allow for the option of the public facing module thereby providing transparency and reducing time spent responding to S106 public enquiries.

Timeline September 2022 - with all tasks currently ongoing

- Inputting all historical receipts and spends so that the system balances with the current financial system.
- Entry of claw back dates so system can allow for monitoring.
- Training carried out so services responsible for spends and delivery of non-financial obligations use the EXACOM software in real time and in doing so provide a clear audit trail.
- Updating all non-financial obligations on the system including Affordable Housing, Public Open Spaces, Community Buildings etc.
- Inputting review dates for live monitoring moving forward.

Monitoring of current S106's

Purpose To allow for efficient monitoring and a proactive approach moving forward.

Timeline Ongoing tasks in real time and worked in conjunction with updating the system as above

- Establishing a list of current developments and triaging as appropriate.
- Carrying out a full audit on each S106 and setting up review dates.
- Responding to queries relating to current S106 and calling on obligations.
- Work with other services ensuring obligations are/have been met.

Develop, implement, and enhance S106 processes

Purpose To develop relevant standard operating procedures, protocols, and guidance including publishing information to allow for streamlined monitoring, public transparency, and reduced workload burden.

Timeline Draft procedures produced by September 2022 with tasks ongoing

- Adoption of a standard S106 deed (draft currently out for consultation).
- Work with other officers on standard procedures of delivery and spends.
- Check compliance of financial reporting and data protection.
- Investigation re purchasing the public facing and back-office finance modules of EXACOM to reduce workload.
- Collaboration with and learning from other councils S106 process.
- Update the website to provide clear communication allowing the public to understand the borough's approach to S106 and any processes.

Self-Funding of S106 Monitoring

Purpose Work towards establishing ongoing funding to cover the costs of S106 monitoring

Timeline September 2022

- Research other Council's approaches (initial scoping exercise completed).
- Costing exercise carried out with a view to producing clearly justifiable monitoring and administration fees for inclusion within any new S106.

45.4 The Mayor invited the Member to ask a supplementary question. The Member asked the following and a response was provided as detailed below:

September 2022 seems to be a key date – can Members be advised of any changes to the timeline that might take the project beyond that date?

The Lead Member for Built Environment advised that Members would be told if the timeline changed.

CL.46 RECOMMENDATIONS FROM EXECUTIVE COMMITTEE

Annual Infrastructure Funding Statement (IFS) and Community Infrastructure Levy (CIL) Rate Summary Statement Requirements

46.1 At its meeting on 17 November 2021 the Executive Committee had considered a report on the Annual Infrastructure Funding Statement (IFS) and Community Infrastructure Levy (CIL) Rate Summary Statement Requirements and recommended to Council that the publication of the Infrastructure Funding Statement (IFS) relating to the financial year ending 31 March 2021 by 31 December 2021 be approved; and the Annual Community Infrastructure Levy (CIL) Rate Summary Statement be published alongside the IFS.

46.2 The report which was considered by the Executive Committee had been circulated with the Agenda for the current meeting at Pages No. 10-38.

46.3 The Chair of the Executive Committee proposed the recommendation and the Vice-Chair seconded it.

46.4 A Member noted that the Council was requiring S106 money faster than it was being spent meaning there was quite a large balance and she questioned how much of the £10.4 million was unallocated and how much had been spent this financial year. The Head of Development Services advised that she would check and advise Members accordingly. Another Member raised a query in terms of infrastructure and the Head of Development Services confirmed that the list included all infrastructure identified in the JCS adopted in 2017 and she would look at providing a list of the infrastructure for the JCS. In addition, Officers were currently reviewing the CIL and as part of that would have to look at what infrastructure was currently required so this would be available in due course. Referring to the JCS examination inspector, a Member indicated that it had been made clear that the County and Borough Councils could not 'double dip' on infrastructure in strategic sites and that there should be a Memorandum of Understanding to ensure this was the case; he questioned whether that had yet been agreed. In response, the Head of Development Services undertook to find out and advise the Member accordingly.

46.5 It was

RESOLVED

1. That the publication of the Infrastructure Funding Statement (IFS) relating to the financial year ending 31 March 2021 by 31 December 2021 be **APPROVED**.
2. That the Annual Community Infrastructure Levy (CIL) Rate Summary Statement be published alongside the IFS.

CL.47 PLANNING SCHEME OF DELEGATION

47.1 The report of the Head of Democratic Services, circulated at Pages No. 39-55, proposed an amendment to the Scheme of Delegation, with a full review of the Scheme planned to take place in the medium term (12-18 months), which Members were asked to approve.

47.2 The Borough Solicitor advised that this followed on from the Executive Committee's approval of the action plan which had resulted from an external review of the Development Management service. The review had found that Tewkesbury Borough Council's Planning Committee considered significantly more minor applications than other authorities of a similar size. The consultants had indicated that to take an application to Committee cost approximately ten times as much as if it was delegated to Officers, so it had been agreed as a priority within the action plan to address this through the Scheme of Delegation. The suggested amendment, which would remove safeguard 5(i) in relation to objections from Town and Parish Councils being automatically referred to Committee, would help to ensure there were resources available within the Development Management team to improve the service. The Planning Scheme of Delegation had last been reviewed in 2015 with a majority of applications delegated to the Head of Development Services, subject to safeguards. Parish and Town Councils were not statutory consultees to planning applications but could be notified of applications within their areas, therefore their comments carried no more weight than any other third party. As with any person that made comments, if material planning considerations were raised those would be fully taken into account by the decision-maker.

47.3 A Member proposed that the matter be deferred to the next Council meeting in order to allow the Council to communicate with Parish and Town Councils and explain its reasons and the implications behind the amendment to the Scheme of Delegation. The proposal was seconded and the Mayor welcomed questions on the deferral. A Member asked for confirmation that, under the current scheme, all Parishes were aware that if they objected the application would go to Committee; whether Parishes had been informed of the costs of taking applications to Committee; of the applications that went to Committee how many had provided valid planning reasons; and whether Parishes were informed of the date that an application would go to Committee. In response, the Borough Solicitor advised that she did not know the level of awareness of Parish Councils about the Borough Council's process for any application to which a Parish Council had objected. In terms of the cost of taking applications to Committee, this was not something Parishes were advised of. No application would go before the Planning Committee if there were no material planning reasons to do so as that was part of the Scheme of Delegation already. A Member indicated that he did not currently receive notification of planning applications made within the three Parishes he represented, and the Head of Development Services explained that for Members to receive this information automatically they had to request it; however, it was agreed that it made sense for all Members to receive details of applications in their area. Another Member requested that, as part of the deferral, Members be provided with a breakdown of the costs of taking an application to Committee versus Officer delegated decisions. The Head of Development Services explained that broadly this would include the resources required for Planning Officers to prepare the Committee reports and presentations as well as input from One Legal and Democratic Services in the process.

47.4 Referring to the consultant's report, the Chief Executive explained that this was a management report about the operation of the service. It had been considered by the Executive Committee which had approved the action plan that was available to Members. The issue was that everyone wanted the most efficient and effective planning service possible and the action plan was aimed at providing the best service within the resources available. The report now before Members had been prepared to assist in achieving that aim. He understood the views expressed about communicating with Parishes and, if the report was deferred, the comments made in that respect would be taken into account as it was important to explain the background to the suggested amendment.

47.5 A Member indicated that she had read the report and action plan thoroughly and agreed that it covered a lot of issues that were part of bigger concerns about the service. She felt that the deferral based on communication with Parishes was the correct thing to do as it meant those who were affected would be able to have a say. A Member questioned whether deferral until the next Council meeting in January would allow time for Parishes to discuss the matter. It was felt it would be better to defer without a timescale as there would be planning required to properly communicate. In offering clarification, the proposer of the motion indicated that her proposal was to speak to Parishes and provide the reasons and implications behind the amendment rather than to undertake formal consultation. Another Member proposed an amendment to include the word 'consultation' rather than 'communication' as follows: that the matter be deferred in order to allow consultation with all Parish and Town Councils and to explain its reasons and the implications behind the amendment to the Scheme of Delegation.

47.6 A recorded vote was requested and, upon receiving the appropriate level of support, voting was recorded as follows:

For	**Against**	**Abstain**	**Absent**
K Berliner	R A Bird	C M Cody	M Dean
G F Blackwell	J H Evetts	M A Gore	R D East
G J Bocking	E J MacTiernan	C E Mills	
C L J Carter	J R Mason		
K J Cromwell	R J E Vines		
P A Godwin			
D W Gray			
D J Harwood			

M L Jordan

H C McLain

P D McLain

H S Munro

J W Murphy

P W Ockelton

A S Reece

C Reid

J K Smith

P E Smith

R J G Smith

V D Smith

C Softley

R J Stanley

P D Surman

M G Sztymiak

S Thomson

M J Williams

P N Workman

47.7 With 27 votes in favour, five against and three abstentions, this became the substantive motion. Accordingly, upon being put to the vote, it was

RESOLVED That the matter be deferred in order to allow consultation with all Parish and Town Councils and for the Council to explain its reasons and the implications behind the amendment to the Scheme of Delegation.

CL.48 RECRUITMENT OF CHIEF EXECUTIVE

48.1 The report of the Borough Solicitor, circulated at Pages No. 56-59, set out proposals for the recruitment of a new Chief Executive following the current Chief Executive's announcement of his intention to retire. Members were asked to consider the report and agree the proposed way forward.

48.2 The Chief Executive explained that it was not often that a Council needed to change its Chief Executive but since he had announced his intention to retire on 30 June, Tewkesbury Borough Council now had to agree the process it wished to take to do this. He had been appointed in 2009 and since then it had been his honour and privilege to serve on behalf of the Council so there was a degree of sadness for him that this was coming to an end but with that he felt the Council could get a really good Chief Executive to take it forward on its journey. In responding, the Leader of the Council offered his thanks to the Chief Executive on behalf of the Council for the outstanding work he had done during his time with the Council and he felt the authority owed him a huge vote of thanks for everything he had done. The organisation was vastly different now than when he had been appointed and the Chief Executive had gained influence not only within Tewkesbury Borough Council but across Gloucestershire as a whole which had been very helpful. The Chief Executive left the meeting for the remainder of the debate.

48.3 In introducing the report, the Borough Solicitor explained that it set out the proposed process to get the Council to the stage of appointing a new Chief Executive. This was a statutory role which must be appointed by Council but the report suggested the remainder of the work was undertaken by a Chief Executive Appointment Working Group and Committee. The report set out the role of each of those bodies and the intention that all Members would have some interaction with the shortlisted candidates and be able to provide feedback to the Chief Executive Appointment Committee. The Committee would be politically balanced, as set out in the report, to ensure the recommended candidate had cross-party approval. There was a need to agree the process at this evening's meeting to enable the post to be advertised early in the New Year. A Member questioned whether it was likely the Council would be able to recruit someone by June. In response, the Borough Solicitor felt it was possible but would certainly be tight as it largely depended on the notice period of the successful candidate. The role at Tewkesbury Borough Council was a fantastic opportunity for someone and it was hoped the post would attract some really good candidates so it was worth waiting to get the right person.

48.4 Accordingly, it was

RESOLVED

1. That the Council recruits a Chief Executive.
2. That a Chief Executive Appointment Committee be established with the composition and Terms of Reference as set out in Paragraphs 3.1 and 3.2 of the report.
3. That a Chief Executive Appointment Working Group be established with the same composition as the Chief Executive Appointment Committee and Terms of Reference as set out in Paragraph 3.3 of the report.
4. That a sum of £25,000 be vired from the Medium Term Financial Strategy reserve to support the costs of recruitment.

The meeting closed at 7:20 pm

TEWKESBURY BOROUGH COUNCIL

Report to:	Council
Date of Meeting:	25 January 2022
Subject:	Scheme of Members Allowances
Report of:	Head of Democratic Services
Corporate Lead:	Borough Solicitor
Number of Appendices:	One

Executive Summary:

The Council's current Scheme of Allowances expires on 31 March 2022. In determining a new scheme of allowances, the Council must have regard to the recommendations of its Independent Remuneration Panel. The Council can determine a scheme effective from one to four years but, having determined its scheme, it cannot make any changes to it without considering the recommendations of its Independent Remuneration Panel.

Recommendation:

The Council is asked to determine the scheme of allowances to take effect on 1 April 2022 until 31 March 2023 having regard to the recommendations of the Independent Remuneration Panel as set out at Appendix 1.

Reasons for Recommendation:

To enable the Council to put into place a scheme of allowances prior to the expiry of the current scheme.

Resource Implications:

The Panel is recommending a change to the Dependant Carers Allowance and, whilst it is difficult to quantify the cost of increasing the Dependant Carers Allowance as it is dependent on demand, a provision of £3,000 has been added to the 2022/23 budget.

Legal Implications:

The Local Authorities (Members' Allowances) (England) Regulations 2003, require authorities to establish and maintain an Independent Remuneration Panel. The purpose of the Panel is to make recommendations to the authority about the allowances to be paid to Councillors.

Independent Remuneration Panels will make recommendations which must include the level of basic allowance for all Councillors, the level of SRAs, and to whom they should be paid, and on whether dependants' carers' allowance, travelling and subsistence allowances and co-optees' allowance should be paid and the levels of these allowances. Schemes must be made by 31 March for implementation in the forthcoming financial year. A scheme may be amended at any time, following consideration of the Independent Remuneration Panel's recommendations, but may only be revoked with effect from the beginning of a year, except in the case where a Council has begun to operate:

(a) executive arrangements, where they are being operated in place of existing alternative arrangements;

(b) alternative arrangements, where they are being operated in place of existing executive arrangements; or

(c) different executive arrangements which involve an executive which takes a different form.

The 2003 Regulations place certain duties on local authorities in connection with publicising the recommendations made by their Independent Remuneration Panel, their scheme of allowances and the actual allowances paid to Councillors in any given year.

The Regulations require that, as soon as reasonably practicable after receiving a report from its Panel which sets out the Panel's recommendations, a local authority must ensure that copies of the report are available for inspection at its principal office at all reasonable hours. A local authority must also, as soon as reasonably practicable after it receives the report, publish a Notice in its area which:

- states that the authority has received recommendations from an Independent Remuneration Panel about its scheme of allowances.
- states that copies of the report detailing the Panel's recommendations are available for inspection at the principal office of the authority at all reasonable hours.
- states the address of the principal office.
- describes the main features of the Panel's recommendations, including the amounts of allowances the Panel has recommended should be payable to Councillors.

The 2003 Regulations also require that members of the public may take copies of the Panel's report on payment of such reasonable fee as the local authority may determine.

In respect of the local authority's scheme of allowances, the Regulations require that, as soon as reasonably practicable after determining a scheme of allowances, a local authority must ensure that copies of the scheme are available for inspection at its principal office at all reasonable hours. A local authority must also, as soon as reasonably practicable after determining the scheme, publish a Notice in its area which:

- states that the authority has adopted a scheme of allowances and the period for which the scheme has effect.
- states that copies of the scheme are available for inspection at its principal office at all reasonable hours.
- states the address of the principal office.
- describes the main features of the scheme, including the amounts of allowances payable to Councillors under the scheme.
- states that, in determining the scheme, the authority had regard to the recommendations of an Independent Remuneration Panel.
- describes the main features of the Panel's recommendations, including the amounts of allowances the Panel had recommended should be payable to its Councillors.
- describes any responsibilities or duties in the scheme which would merit the payment of a SRA and travelling and subsistence allowance.

The final publicity requirement in the Regulations is that, as soon as reasonably practicable after the end of a year to which a scheme relates, a local authority must make arrangements for the publication in its area of the total sum paid by it to each Member in respect of basic, special responsibility, travelling and subsistence, co-optees' and dependants' carers' allowances.

All these publicity requirements are statutory minimum requirements. However, the guidance on the Regulations from the then Office of the Deputy Prime Minister also states that a local authority should publicise more widely the report from its Panel, its scheme of allowances and the sums paid to each Member. This should include, where possible, publishing this information on the authority's website and in the Council's own newspaper (where they have one).

Risk Management Implications:
If the Council does not adopt a scheme of allowances prior to the expiry of the current arrangements it will be unable to pay any allowances.

Performance Management Follow-up:
Once a new Scheme is agreed, action will be taken to implement the scheme with effect from 1 April 2022 and to comply with the publicity requirements.
Environmental Implications:
None.

1.0 INTRODUCTION/BACKGROUND

1.1 The Council's Independent Remuneration Panel currently consists of three members. Following the resignation of one member of the Panel this year, a recruitment drive will be undertaken in the New Year with the aim of establishing a Panel of five members in order to improve resilience and ensure continuity. All of the members of the Panel live within the Borough and undertake various voluntary roles in support of the Borough.

2.0 SCHEME OF MEMBERS ALLOWANCES 2022/23

2.1 The report of the Council's Independent Remuneration Panel, setting out its recommendation for the 2022/23 scheme of allowances, is attached at Appendix 1.

2.2 Accordingly, the Council's existing scheme expires on 31 March 2022 and, before making a new scheme, the Council must have regard to the recommendations of its Independent Remuneration Panel.

2.3 The Council is asked to determine a scheme of allowances having regard to the recommendation of the Panel.

3.0 OTHER OPTIONS CONSIDERED

3.1 Not applicable.

4.0 CONSULTATION

4.1 As set out in the Independent Remuneration Panel's report.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

5.1 Not applicable.

6.0 RELEVANT GOVERNMENT POLICIES

6.1 Not applicable.

7.0 RESOURCE IMPLICATIONS (Human/Property)

7.1 Not applicable.

8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

8.1 Not applicable.

9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

9.1 Not applicable.

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 Council Report considered in April 2002 - Basic allowance of £6,500 per annum increasing by £1,300 on an annual basis over a four-year period up to £10,400.

Council Report considered in February 2004 - Basic allowance of £9,100 effective from 7 May 2004 increasing to £10,400 on 7 May 2005.

Council Report considered in May 2008 - Basic allowance of £9,000 (three years).

Council Report considered in March 2011 - Basic allowance of £7,200 (four years).

Council Reports considered in April 2015, January 2016, January 2017, January 2018, January 2019 - Basic allowance of £7,200.

January 2020 and January 2021 – Basic allowance of £7,350

Background Papers: None.

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Appendices: 1. Report of the Independent Remuneration Panel.

TEWKESBURY BOROUGH COUNCIL INDEPENDENT REMUNERATION PANEL

A SCHEME OF MEMBERS ALLOWANCES FOR 2022/2023

1. BACKGROUND

1.1 The Council's Independent Remuneration Panel currently consists of three members. All members of the Panel live within the Borough and undertake various voluntary roles in support of the Borough. In 2022, the Council will try and recruit a further two members.

1.2 The Scheme shown at Annex A came into effect in April 2021 and is due to end on 31 March 2022. The Scheme was introduced as a result of the Panel's report presented to the Council on 26 January 2021.

1.3 In order to make recommendations to the Council for a new Scheme to commence in April 2022 the Panel met on four occasions undertaking the work as set out below.

2. WORK OF THE PANEL

2.1 The Panel considered the following information:

- Allowances received by Tewkesbury Borough Councillors in 2021/22.
- Comparison of allowances for Gloucestershire and South West Councils.
- Comparison of allowances for comparator Councils in England operating a Committee structure.
- Information collated by the Tax Payers Alliance.
- Information collated by South West Councils.
- Dependent Carer Schemes from other local authorities in Gloucestershire.

2.2 The Panel also interviewed four Members of the Council who they had not previously seen.

3. SUMMARY OF THE PANEL'S FINDINGS / CONCLUSIONS

3.1 The main points that the Panel concluded from its work are summarised below:

- The Panel continues to be impressed with the work ethic of Councillors. It was noted that many had stood as candidates without realising the amount of time and energy the role would require. This is testament to their motivation to work on behalf of the communities in the Borough.
- Comparative data showed Tewkesbury Borough Council's Basic Allowance remained higher than other Districts in the County and across the country.
- Comparisons of Special Responsibility Allowances (SRAs) payable across Councils vary enormously as they cover many and substantially different roles. However, the Panel had made several changes in recent years to correct several identified anomalies and it was not felt necessary to

recommend any changes to the current SRA scheme.

- Allowances did not appear to be a deciding factor for most in whether or not they stood for election, but it was clear that the Basic Allowance was helpful to many in offering some compensation for their efforts and the expenses incurred.
- The Panel felt the current economic position was an important consideration, including rising inflation and the pressures created by COVID-19. Whilst it was recognised that an increase in allowances would have a very small impact on Council Tax, the Panel was uncomfortable about recommending any increases. The Panel reasoned the public would not expect to see any increase in these difficult times.
- However, the Panel did consider it necessary to increase the level of Dependent Carer Allowances. This was last examined in 2017 and it is clear that the Scheme is an important element in encouraging a more diverse section of the community to stand for election. The Panel considered the Schemes of other local authorities and the national living wage and felt the hourly rate should be increased from £7.50 to £9.50.
- The allowances will run for a period of a year and the Panel will once again make a new annual recommendation in January 2023. The Panel does not wish to recommend multi year arrangements as it is essential for the Panel to assess allowances on an annual basis, taking into account all relevant facts.

4. RECOMMENDATIONS OF THE PANEL

4.1

- The Basic Allowance and Special Responsibility Allowance should remain unchanged.
- The Dependent Carers Allowance should be increased from £7.50 to £9.50 per hour.
- All other parts of the Member Allowance Scheme, as set out at Annex A, should remain unchanged.
- The Scheme should be for a period of one year commencing on 1 April 2022.

PART 6
MEMBERS' ALLOWANCES SCHEME

Tewkesbury Borough Council, in exercise of the powers conferred by the Local Authorities (Members Allowances) Regulations (England) 2003 hereby makes the following Scheme:

Citation

1. This Scheme may be cited as the Tewkesbury Borough Council Members' Allowances Scheme and shall have effect commencing on 1 April 2021, for one year ending on 31 March 2022.

Interpretation

2. In this Scheme

"Councillor" means a Member of the Tewkesbury Borough Council who is a Councillor.

"Year" means the 12-month period commencing on 1 April.

Basic Allowance

3. Subject to Paragraph 8, a Basic Allowance of £7,350 shall be paid to each Councillor for the duration of the Scheme.

Special Responsibility Allowances

4. (i) For each year a Special Responsibility Allowance shall be paid to those Councillors who have the special responsibilities in relation to the Authority that are specified in Schedule 1 to this Scheme.

(ii) Subject to Paragraph 8, the amount of each such allowance shall be the amount specified against that special responsibility in that Schedule.

(iii) A Councillor who carries out more than one role which would attract a Special Responsibility Allowance is entitled to claim each allowance to reflect the responsibility of each role undertaken.

(iv) In an election year, payment of all Special Responsibility Allowances will cease (with the exception of the Mayor and Deputy Mayor) when the Councillor goes out of Office (four days after the election). Payment of Special Responsibility Allowances will resume upon appointments being made, to the positions subject to an allowance, at the annual meeting of the Council.

Attendance at Meetings

5. If a Councillor does not attend at least two-thirds of the total number of scheduled meetings of the Council, or of the Executive, or of Committees of which he/she is a Member, the Councillor concerned should be invited to pay back an appropriate percentage of his/her Basic Allowance up to a maximum of 25% of the Basic Allowance.

If a Member is absent from Council business for more than one continuous month (other than on illness grounds) the Member concerned should be invited to pay back a sum equivalent to the amount of Basic and Special Responsibility Allowances paid for any single period of absence which exceeds one month.

For periods of long-term absences due to illness the Council should review its position on a case by case basis.

Attendance Allowances

6. No Attendance Allowances whatsoever shall be payable in respect of attendance at any meeting or conference or seminar etc., whether organised by, or on behalf of, the Council or by any other body.

Renunciation

7. A Councillor may, by notice in writing given to the Borough Solicitor, elect to forego any part of his/her entitlement to an allowance under this Scheme.

Part Year Entitlements

8. If the Term of Office or duties undertaken by a Member begin or end part way through a financial year, or amendment of the Scheme during a financial year changes the amount to which a Member is entitled, then calculation of the allowance payable shall be on a pro-rata basis having regard to the proportion that the Term of Office, period of duty or relevant periods of the Scheme bear to the month in the financial year in which they occur based on the number of days in that month.

Claims and Payments

9. A claim for Travelling and Subsistence Allowance under this Scheme shall be made in writing on the form provided within two months of the date on which the duty in respect of which the entitlement to the allowance arises.

10. (i) Payments shall normally be made by bank transfer

    (a) in respect of Basic and Special Responsibility Allowances, subject to Sub Paragraph 10(ii) below, in instalments of 1/12th of the amounts specified in this Scheme on the 21st day of each month and for which Councillors will not be required to submit a claim; and

    (b) in respect of Travelling and Subsistence Allowances, on the 21st day of each month where the claim is received by Member Services by not later than the 7th day of that month.

    (ii) Where a payment of 1/12th of the amount specified in this Scheme in respect of a Basic Allowance or a Special Responsibility Allowance would result in the Councillor receiving more or less than the amount to which, by virtue of Paragraph 8, he or she is entitled, the payment shall be restricted to such amount as will ensure that no more or less is paid than the amount to which he or she is entitled.

    (iii) There shall be no provision for advance payment of Basic or Special Responsibility Allowance in the case of financial hardship.

Travelling and Subsistence Expenses

11. (i) Any duty undertaken for the purpose of, or in connection with, the discharge of the functions of the Council, or any of its Committees, is an "approved duty" for the purposes of entitlement to Travelling and Subsistence Allowance. “Approved Duties” are defined at Schedule 2.

(ii) Travelling and other expenses reasonably incurred by Councillors making official and courtesy visits will be paid.

(iii) The amount of these expenses will be paid at the Inland Revenue approved rates and will increase in accordance with these rates for the period of the Scheme.

(iv) Subsistence payments will be paid in accordance with the rates paid to staff and will rise in line with any increases agreed in the staff rates. All claims for subsistence must be supported by receipts. The allowances are as follows:

Breakfast	£6.22
Lunch	£8.57
Tea	£3.37 (payable for absence beyond 6.30pm)
Evening Meal	£10.61 (payable for absence beyond 8.30pm)

NB: The above rates can be varied upon approval in advance by the Head of Democratic Services where an increased amount is appropriate and reasonable, such as visits to London, subject to the production of receipts.

(v) Councillors should make every effort to use public transport, particularly when they need to travel some distance to meetings, for example, journeys to London should usually be made by train and only in exceptional circumstances should a private vehicle be used.

(vi) The onus is on the Councillor to achieve value for money and efforts should be made to take advantage of “early booking” discounts available for rail travel.

(vii) Taxi and Private Hire Vehicles should only be used in exceptional circumstances where a Councillor is unable to use their own private vehicle, cannot share transport and no public transport is readily available.

(viii) An overnight allowance is not included within the Scheme. If a Councillor is required to stay overnight in attending an event, they should contact Member Services who will make the necessary accommodation arrangements. In exceptional circumstances, when an overnight stay could not be foreseen, reasonable costs will be reimbursed upon production of receipts.

SCHEDULE 1
SPECIAL RESPONSIBILITY ALLOWANCE

The following are specified as the special responsibilities in respect of which Special Responsibility Allowances are payable, and the amounts of those allowances:

	£pa
Leader (inclusive of Lead Member role)	8,800
Deputy Leader (inclusive of Lead Member role)	6,600
Lead Members (9)	4,400
Committee Chairs (5)	2,200
Mayor	2,200
Deputy Mayor	1,350
Support Members (11)	175

Note:

1. A Councillor who carries out more than one role which would attract a Special Responsibility Allowance is entitled to claim each allowance to reflect the responsibility of each role undertaken.

2. Telephone costs form part of the Members' Basic Allowance.

3. The Council has approved separate arrangements in respect of the provision of IT equipment which are not part of this Scheme.

SCHEDULE 2

APPROVED DUTIES

The following are deemed to be approved duties for the purposes of claiming Travelling Allowances:

a) Formal meetings of the Council including Committees, Sub-Committees, Working Groups and Advisory Panels.

b) Meetings of other bodies to which the Council makes appointments.

c) Authorised training events and conferences which relate to the duties of the Council.

d) Attendance at meetings and events relating to the duties of the Council at the request of a Borough Council Officer.

e) Any other duty undertaken for the purpose of, or in connection with, the discharge of the functions of the Council, or any of its Committees, subject to the prior approval of the Borough Solicitor.

f) Any meetings arranged by an Officer with a Lead/Support Member at the Council Offices to discuss items within their Portfolio.

g) Any meeting which a Lead Officer has asked the Lead/Support Member to attend (whether at the Council Offices or elsewhere).

h) Invitations to Lead/Support Members to attend events, seminars, presentations etc. within a Members' Portfolio, subject to prior approval by the Head of Democratic Services in consultation with the Lead Officer.

DEPENDANTS' CARE SCHEME

1. Persons Eligible to Claim and Duties for Which They May Claim

1.1 Borough Councillors may claim reimbursement of care expenses in respect of any meeting (including conferences, seminars, etc.), which the Member is specifically invited to attend (approved duty).

1.2 When travelling away from home to an approved duty which may involve an overnight stay, care expenses may be claimed in respect of the total duration of the duty, less any period during which a dependant is cared for at no cost to the Councillor.

2. Rate Per Hour Payable and How Long Payable

2.1 The maximum rate payable by way of reimbursement has been fixed at £7.50 per hour with no overall daily maximum.

2.2 The time claimed for should normally equate to the duration of the meeting/duty plus up to one hour in total travelling time to and from the meeting/duty.

3. Definition of 'Dependant' and 'Carer'

3.1 The Care Allowance is payable in respect of:

(a) children aged 14 or under;
(b) elderly relatives requiring full-time care; and
(c) relatives with disabilities or nursing requirements who require either temporary or permanent full-time care.

In each case the dependant must normally live with the claimant as part of the family and be unable to be left unsupervised. For any new claims evidence of eligibility of the dependant **MUST** be provided i.e. birth certificate/doctors certificate.

3.2 A carer can be any responsible mature person who does not normally live with the claimant as part of the family but should not be a parent.

4. Method of Claim

4.1 A receipt in standard format **MUST** be obtained from the carer for each amount paid (copy attached). A proper business paid invoice or official receipt would be acceptable in place of the standard format if this is provided. **Only original receipts will be accepted (no copy/faxed receipts)**.

4.2 A claim for care expenses should be attached to the Travelling and Subsistence Claim and forwarded to Member Services at the end of each month. Reimbursement will be included in the next payment of the Councillor's allowances.

4.3 A copy of the claim form/standard receipt is attached.

5. Annual Declaration

5.1 An annual declaration (in May of each year) will be sent to carers (see attached) to confirm that they have undertaken, and received payment for, the duties which have been claimed. The declaration will be sent by Member Services direct to the carer either by post or email and, if sent by post, will enclose a stamped addressed envelope to be returned to Member Services.

DECLARATION OF DUTIES UNDERTAKEN FOR COUNCILLOR (insert name of Cllr as applicable)

DETAILS OF CARER
Name: .... Telephone No: ....
Address: ....
.... Postcode: ....

DETAILS OF DUTIES UNDERTAKEN
(insert amount of payment - £) has been paid to the person named below in connection with the care of (insert name/s of those cared for) for the period (insert period of claim).

I, (insert name of carer), hereby confirm that I have received payment of the above amount for duties undertaken as the carer for (insert name/s of those cared for).

Signed ………………………………………..

Date ……………………………………………

Annex A

TEWKESBURY BOROUGH COUNCIL
DEPENDANTS' CARE EXPENSES
CLAIM FORM/STANDARD RECEIPT

DETAILS OF DEPENDANT
Name: ....
Address:
....D/O/B..
.... Postcode: ....
Relationship to Member making claim: ....

DETAILS OF CARE PROVIDED

Date	Time	Date	Time
....	.... to	....	.... to ....
....	.... to	....	.... to ....
....	.... to	....	.... to ....
....	.... to	....	.... to ....
....	.... to	....	.... to ....
....	.... to	....	.... to ....
....	.... to	....	.... to ....
....	.... to	....	.... to ....

Payment to carer for provision of care £....................

DECLARATION OF CARER
I CERTIFY that I have received the amount stated above for providing the care on the dates and times specified above.
I CONFIRM that I do not normally live at the same address as the person submitting this claim.

Signed .... (Carer) Date ....

Name: .... Telephone No: ....
Address: ....
.... Postcode: ....

DETAILS OF CLAIM
Member's Name: ....
Amount Claimed: £..................

DECLARATION OF CLAIMANT
I CERTIFY that I have necessarily incurred expenditure on carer's expenses for the purpose of enabling me to perform approved duties as a Member of Tewkesbury Borough Council.
I CONFIRM that I have actually paid the amount claimed and that the amount claimed is strictly in accordance with the Scheme determined by Tewkesbury Borough Council.

Signed .... (Councillor) Date ....

Checked by		Date:
Authorised by		Date:

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	5 January 2022
Subject:	Treasury and Capital Management
Report of:	Head of Finance and Asset Management
Corporate Lead:	Chief Executive
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	Four

Executive Summary:

The Council is required to adopt a range of strategies and policies before the start of the financial year in order to provide clarity on the plans for the financial management of the authority in the forthcoming year. The strategies to adopt are listed in the recommendations.

A revised edition of Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code has been consulted on during 2021 and will be published in December 2021 with immediate adoption (at the time of this report it has yet to be published). The new requirements have been included in the accompanying reports.

Recommendation:

The Committee is asked to RECOMMEND TO COUNCIL the adoption of:

- **The Capital Strategy 2022/23.**
- **The Investment Strategy 2022/23.**
- **Minimum Revenue Provision Statement 2022/23.**
- **Treasury Management Strategy 2022/23.**

Reasons for Recommendation:

It is a statutory requirement to adopt these strategies prior to the start of the financial year.

Resource Implications:

None directly relating to the report.

Legal Implications:

As detailed within the report and appendices.

Risk Management Implications:

As detailed within the appendices.

Performance Management Follow-up: As detailed within the appendices.
Environmental Implications: None.

1.0 INTRODUCTION/BACKGROUND

1.1 There has been a long-standing requirement for the Council to produce both a Treasury Management Strategy and a Minimum Revenue Provision Policy before the start of the financial year. The CIPFA Prudential Code introduced in 2017 made it a requirement to produce an annual Capital Strategy and an amendment to the Local government Act 2003 was made under statute to prepare an Investment Strategy from the 2019-20 financial year.

1.2 CIPFA published a consultation on its review of The Prudential Code for Capital Finance in Local Authorities (2017) during 2021 and produced its responses on the comments received along with proposed amendments in September 2021. The revised Prudential Code should be published towards the end of December.

1.3 The main changes included within the revised Prudential Code are:

- Changing the emphasis on borrowing in advance of need purely to profit from the investment so it is now prohibited rather than advised against.
- Including proportionality as an objective (assessing risk to levels of resources).
- Clearly defining and clarifying commercial activity and investment.
- Officially introducing the liability benchmark into the indicators (we have previously included this anyway).

2.0 TREASURY AND CAPITAL MANAGEMENT STRATEGIES

2.1 The following paragraphs give a brief overview of each of the five appendices:

2.2 Capital Strategy

This is a requirement of CIPFA's Prudential Code to place decisions around borrowing in the context of the overall longer term financial position of the authority and to improve links between the revenue and capital budgets.

This capital strategy was introduced for 2019/20, giving 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.

The liability benchmark has been formally introduced as it is seen as an important indicator which demonstrates the lowest risk level of borrowing. The benchmark is our net borrowing requirement plus a liquidity allowance.

2.3 Investment Strategy

This comes from updated Ministry for Housing, Communities and Local Government (MHCLG) statutory guidance and applies to accounting periods starting 1 April 2018.

This is not the Council's strategy for actual investment or otherwise in either commercial property or service property. It does not commit the authority to any future direction or expenditure. The report provides oversight on how the Council undertakes transactions of this nature, the proportionality of these investments and a one year forecast of a range of financial indicators based on the standing investment decision of Council.

The strategy provides detailed information on the policies and procedures that the Council has in place to address the fundamental concepts that are associated with each investment type, which are risk, security and liquidity.

In line with the revised Prudential Code, we no longer borrow to fund the purchase of investment properties.

2.4 Minimum Revenue Provision Statement 2022/23

The statement at Appendix C sets out the Council policy on making a Minimum Revenue Provision (MRP) for the 2022/23 financial year in accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. The policy is also in line with the revised guidance issued in 2018. As a result of the Council's recent capital programme, funded by borrowing, the Council is required to make a MRP in order to repay the principal borrowed.

The Council will look to utilise capital and revenue balances where possible in order to reduce the revenue impact of investment plans. However, where either internal or external borrowing is required a MRP will be required to be made.

The MRP statement includes details on voluntary overpayments of MRP which is not included in the current MRP policy. Voluntary overpayments can be made in a financial year with the impact of the overpayment being a reduction in the charge to revenue in future years. We set aside £88k at the end of last year.

2.5 Treasury Management Strategy 2022/23

The Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 (the CIPFA Code) requires the authority to approve a treasury management strategy before the start of each financial year. The report at Appendix D fulfils the authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

The Treasury Management Strategy 2022/2023 sets the framework in which day-to-day and strategic treasury activities are operated. The documents are compiled from the recommendations within the CIPFA guidance and from the Council's Treasury Management advisors with consideration given to the current financial climate and factors affecting market conditions.

The budget for investment income in 2022/23 is £0.44million, based on an average investment portfolio of £20.0 million at an interest rate of 2.20%. The budget for debt interest paid in 2022/23 is £0.47 million, based on an average debt portfolio of £40 million at an average interest rate of 1.17%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

3.0 OTHER OPTIONS CONSIDERED

3.1 None.

4.0 CONSULTATION

4.1 None.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

5.1 Medium Term Financial Strategy.

6.0 RELEVANT GOVERNMENT POLICIES

6.1 As detailed within the appendices.

7.0 RESOURCE IMPLICATIONS (Human/Property)

7.1 No specific proposals within appendices affecting human or property resources.

8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

8.1 None.

9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

9.1 As contained within the appendices.

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 None.

Background Papers: None.

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Appendices: A – Capital Strategy 2022/23.
B – Investment Strategy 2022/23.
C – Minimum Revenue Provision Statement 2022/23.
D – Treasury Management Strategy 2022/23.

Capital Strategy Report 2022/23

Introduction

This capital strategy report 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' understanding of these sometimes technical areas.

Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

Capital Expenditure and Financing

Capital expenditure is where the Authority 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 Authority has some limited discretion on what counts as capital expenditure, for example assets costing below £10k are not capitalised and are charged to revenue in year.

- For details of the Authority's policy on capitalisation, see Note 1.15 in the Financial Statements for the year ended 31 March 2021

In 2022/23, the Authority is planning capital expenditure of £4.48m 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	1.45	3.12	4.48	2.60	4.60
Capital investments	19.74	0.00	0.00	0.00	0.00
TOTAL	21.19	3.12	4.48	2.60	4.60

The main General Fund capital projects include the delivery of the Ashchurch bridge project and also payment of Disabled Facility Grants.

Governance: Service managers must take a report to full Council in order to include projects in the Council's capital programme. Finance calculate the financing cost (which can be nil if the project is internally financed) and review any business case for the proposal to ensure it meets the council requirements over payback periods (if applicable). Council appraises all proposals based on a comparison of service priorities against financing costs and approves the use of capital resources. The final capital programme is then presented to Executive Committee and to Council in February each year.

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	1.21	2.60	3.95	2.50	0.50
Own resources	0.24	0.52	0.53	0.10	4.10
Debt	19.74	0.00	0.00	0.00	0.00
TOTAL	**21.19**	**3.12**	**4.48**	**2.60**	**4.60**

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 £'000

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
Own resources	640	882	905	927	950

The Authority'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 be £54,367k during 2021/22. Based on the above figures for expenditure and financing, the Authority's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £'000

	31.3.2021 actual	31.3.2022 forecast	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget
Capital investments	55.25	54.37	53.46	52.54	51.59
TOTAL CFR	**55.25**	**54.37**	**53.46**	**52.54**	**51.59**

Asset management: To ensure that capital assets continue to be of long-term use, the Council has an asset management strategy in place. This plan is set in the wider context of ensuring a sustainable future for Council expenditure and revenue and aims to:

• Identify and explain the context and objectives of Asset Management at Tewkesbury Borough Council.

• Identify and explain how the plan links with our Corporate Plan and processes that will be followed to deliver Asset Management to Tewkesbury Borough Council.

• Identify the specific challenges and opportunities that currently affect Tewkesbury Borough Council's land and building assets and the ability of those assets to deliver the priorities, goals and promises set out in our Corporate Plan.

• Identify and recommended strategies to address and resolve issues and opportunities within the asset portfolio.

• Establish an annual Service Action Plan summarising the required actions arising from those recommendations.

The Council's asset management strategy can be found on our website.

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. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £20,000 of capital receipts in the coming financial year as follows:

Table 5: Capital receipts receivable in £'000

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
Asset sales	66	66	0	0	0
Right to buy receipts	89	20	20	20	20
Other	57	0	0	0	0
TOTAL	**212**	**86**	**20**	**20**	**20**

Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority'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 Authority 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.

Due to decisions taken in the past, the Authority currently has £34.13m borrowing at an average interest rate of 1.42% and £30.49m treasury investments at an average income rate of 1.60%.

Borrowing strategy: The Authority'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 Authority 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 1.5 to 2.5%).

Projected levels of the Authority'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 £'000

	31.3.2021 actual	31.3.2022 forecast	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget
Debt	39.40	33.90	33.30	32.80	32.30
Capital Financing Requirement	55.25	54.37	53.46	52.54	51.59

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 Authority expects to comply with this in the medium term

Liability benchmark: To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £10m at each year-end. This benchmark is currently £30.95m and is forecast to decrease to £25.79m over the next three/four years.

Table 7: Borrowing and the Liability Benchmark in £m

	31.3.2021 actual	31.3.2022 forecast	31.3.2023 budget	31.3.2024 budget	31.3.2025 actual
Outstanding borrowing	39.40	33.90	33.30	32.80	32.30
Liability benchmark	30.95	23.57	22.66	21.74	20.79

The table shows that the Authority expects to remain borrowed above its liability benchmark. This is because a deliberate decision has been made to borrow additional sums due to the volatility of the Council's cash flows.

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

Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2021/22 limit	2022/23 limit	2023/24 limit	2024/25 limit
Authorised limit – borrowing	60	50	45	45
Operational boundary – borrowing	55	40	35	35

Further details on borrowing are in the treasury management strategy

Treasury 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 Authority'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 bonds, shares and 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 Authority may request its money back at short notice.

Table 9: Treasury management investments in £m

	31.3.2021 actual	31.3.2022 forecast	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget
Near-term investments	8.25	9.83	11.14	11.57	12.02
Longer-term investments	10.20	10.50	9.50	9.50	9.50
TOTAL	**18.45**	**20.33**	**20.64**	**21.07**	**21.52**

Further details on treasury investments are in the treasury management strategy

Risk management: The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

- The treasury management prudential indicators are in the treasury management strategy

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Head of Finance and Assets 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 Executive Committee along with quarterly performance being reported as part of the quarterly budget reporting. The Audit and Governance Committee is responsible for scrutinising treasury management decisions.

Commercial Activities

With central government financial support for local public services declining and uncertainty around future funding sources (e.g. New Homes Bonus), the Council had no choice in previous years but to invest in commercial property purely or mainly for financial gain. Total commercial investments are currently valued at £59.08m as at 31.03.21 (with a cost value of £59.23m) providing a net return after all costs of 5%.

With financial return being the main objective, the Council accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include voids, fall in capital value and high asset management costs. These risks are managed by using professional property advisers who are used to analyse the risk of voids, advice on alternative uses or exit strategies for investment properties. In order that commercial investments remain proportionate to the size of the authority we have decided not to continue acquiring further properties and contingency plans are in place (including a contingency reserve) should expected yields not materialise.

Only direct costs such as property management are netted off gross income. Interest and minimum revenue provision costs are excluded from this indicator.

	2020/21 actual	***2021/22 forecast***	***2022/23 budget***	***2023/24 budget***	***2024/25 budget***
Net income from commercial investments	2,979	3,046	3,401	3,401	3,401
Proportion of net revenue stream	22.27%	24.59%	32.02%	32.58%	32.12%
Proportion of usable revenue reserves	9.42%	10.84%	12.92%	14.11%	8.97%

Governance: Decisions on commercial investments are made by the Head of Finance and Asset Management alongside the Commercial Investments Board in line with the criteria and limits approved by Council. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

- Further details on commercial investments and limits on their use are in the investment strategy.
- Further details on the risk management of commercial investments are also within the investment strategy.

Liabilities

In addition to forecast debt of £33.9m detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £36.97m as at 31 March 2021). It has also set aside £3.7m to cover risks of provisions (of which £3.1m relates to business rates appeals). The Authority is also at risk of having to pay for a challenge to planning permission regarding Ashchurch Road bridge. We didn't put and money aside at year end as it did not meet the definition of a provision however we have a reserve for appeals which will be used to cover any costs.

Governance: Decisions on incurring new discretional liabilities are taken in line with the Financial Procedure Rules by service managers in consultation with Head of Finance and Asset Management and the Borough Solicitor.

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 10: Prudential Indicator: Proportion of financing costs to net revenue stream

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget
Financing costs (£m)	1.19	1.34	1.37	1.47
Proportion of net revenue stream	8.91%	10.84%	12.92%	14.11%

Further details on the revenue implications of capital expenditure are in the 2022/23 revenue budget.

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 40 years into the future. The Head of Finance and Asset Management is satisfied that the proposed capital programme is prudent, affordable and sustainable because it has all been full costed and the full revenue implications have been included within the Medium Term Finance Strategy (MTFS).

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 Head of Finance and Asset Management is a qualified accountant with over 25 years' experience, the Asset Manager has many years' experience and is supported by an experienced team including engineers and building surveyors. The Council pays for staff to study towards relevant professional qualifications including CIPFA and AAT.

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 Arlingclose Limited as treasury management advisers, Lambert Smith Hampton as property consultants and appoints legal specialists as necessary. 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.

Investment Strategy Report 2022/23

Introduction

The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

Treasury Management Investments

The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £18m and £32m during the 2022/23 financial year.

Contribution: The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

Further details: Full details of the Authority's policies and its plan for 2022/23 for treasury management investments are covered in a separate document, the Treasury Management Strategy.

Service Investments: Loans

Contribution: The Council may lend money to local businesses/charities to support local public services and stimulate local economic growth. A loan agreement for £30k was entered into during 2020 with a local business.

Security: The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk and ensure that total exposure to service loans remains proportionate to the size of the Authority, we ensure that any default in the repayment is affordable for the Council.

Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figure for any loans in the Authority's statement of accounts at the end of 2022-23 will be shown net of this loss allowance (as it was in 2021-22). However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Risk assessment: The Authority assesses the risk of loss before entering into and whilst holding service loans. As we only have one in progress we have assessed their credit rating and also ensured we could afford any financial loss of a default in repayment.

Service Investments: Shares

Contribution: The Council invests in the shares of a jointly owned teckel company (Ubico Ltd) to support local public services (environmental services). Tewkesbury Borough Council have a £1 share and there are 7 other authorities each owning £1 each.

The purpose of the investment is to work with other local authorities to create efficiencies and resilience within our environmental services and also enable a more commercial outlook within the company.

Security: One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. As the only shares we have are nominal and relate to a service objective then there is no risk of falls in value.

Other Shares

We also hold shares in a Local Authority Property Fund however this is covered within the Treasury Management Strategy.

Commercial Investments: Property

Contribution: The Council invests in local and UK wide commercial property with the intent of making a profit that will be spent on local public services. The properties held cover a range of sectors including industrial and retail to spread the risk and include a wide range of lease types and lengths. The income generated from these investments enables us to continue functioning as a council and provide our statutory duties.

Some investments are held for service reasons as well and are immaterial in value. The material items are shows in the table below:

Table 3: Property held for investment purposes in £ millions

Property	Actual	31.3.2021 actual	
	Purchase costs	Gains or (losses)	Value in accounts
Land only	1.5	(0.2)	1.3
Office	23.0	0.8	23.8
Industrial	13.4	(0.6)	12.8
Retail	22.9	(0.4)	22.5
TOTAL	**60.8**	**(0.4)**	**60.4**

Security: In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is higher than its purchase cost (including taxes and transaction costs) or, overall, the value of material investment properties are no less than 20% lower than purchase cost. A fall in the value of the property does not impact on the council as it is reversed out in the Movement in Statement of Reserves. The council is concerned about the net income return as this is crucial to the budget.

Where value in accounts is below purchase cost: The fair value of the Council's investment property portfolio is lower than the original purchase price as the fair value looks at the length of any leases currently in place (and as the lease term diminishes the fair value falls). If the value falls a significant amount (20% or more) then further work is done to identify whether any mitigating actions are needed to protect the capital invested. These actions include analysing any risk of lease defaults or cancellations and ensuring contingency funds are in place to mitigate any material impact on the budget.

Risk assessment: The Authority assesses the risk of loss before entering into and whilst holding property investments by:

- using professional property advisers (LSHIM) to assess the full cost of any potential commercial property purchase, including void periods;
- ensuring an exit strategy by looking at the alternative use for the property;
- costing any asset management requirements required and setting aside monies in the budget;
- looking at lease lengths and break clauses to ascertain the risk of any voids and to enter early negotiations with tenants;
- ensuring a minimum rate of return that enables all known costs to be covered;
- diversifying the portfolio over a number of sector areas.
- Undertaking an independent valuation exercise to substantiate the purchase price prior to completion
- Undertaking other building and environmental surveys
- Reviewing the strength of covenant of the existing tenant
- Reviewing the strength of economy in the surrounding area
- Familiarisation of local commercial agents for an efficient and cost-effective marketing process
- Regular communication with new tenants to build initial relationships and manage any teething problems
- Annual in person inspections to respond to any landlord repairs required and to maintain landlord and tenant alliance
- Regular email and telephone contact with tenants to maintain a strong professional relationship
- Efficient reactive repair management whilst keeping the tenant informed
- Strong bond with local contractors who can be relied upon to react rapidly to repairs
- Forward knowledge of major repairs within the last year of lease, to be completed as soon as the property becomes vacant to minimise any void period.
- Good communication whilst arranging engineering inspections for insurance purposes
- Active rent account management for early interception of tenant financial difficulties
- Tight budget control of service charges in order that good value for the tenant is achieved
- Good relationship with RICS professionals for rent review, lease renewal and lease termination support.
- Efficient dilapidations management to secure funds for works required on lease termination

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Council would use professional agents to sell these assets to maximise best value.

Proportionality

The Council is dependent on profit generating investment activity to achieve a balanced revenue budget. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives of the Authority is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Plan. Should it fail to achieve the expected net profit, Council's contingency plans for continuing to provide these services to firstly use any contingency reserves available to continue to provide these services in the short term, whilst an assessment of the investments future capabilities are made, and then cost reductions would be made to ensure the council is financially viable in the longer term.

Table 4: Proportionality of Investments (£'000)

	2020/21 Actual	2021/22 Forecast	2022/23 Budget	2023/24 Budget	2024/25 Budget
Investment income	3,369	3,457	3,803	3,803	3,803
Gross service expenditure	41,757	31,651	30,989	30,521	30,113
Proportion	8.07%	10.92%	12.27%	12.46%	12.63%

Borrowing in Advance of Need

Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Authority has chosen not to follow this guidance previously and has previously borrowed for this purpose because, as a small council with the 6th lowest council tax in the country, the level of cuts to core government support along with losses associated with the retained business rates scheme and the growing size of the Borough mean that the Council would be unlikely to balance its budget without this income and therefore would be forced to reduce service offering drastically. It would also heighten the potential for issuing a s114 notice.

The Authority's policies in investing the money borrowed, including management of the risks, for example of not achieving the desired profit or borrowing costs increasing, is to always have a fixed rate for borrowing for at least 40% of investments to manage the risk of interest rate increases. In addition, the Council ensures any rental income is managed and leases are reviewed early to allow for any potential break clauses and void periods which can be factored into the budget.

Despite having undertaken borrowing in advance of need previously we will not borrow in this way in future as we feel the level of these investments is at an acceptable level of risk and any further investments would not be at a proportionate for an authority of our size. We will only borrow in future to replace short term debt relating to prior year investment decisions.

Capacity, Skills and Culture

Elected members and statutory officers:

A Commercial Investment Board was set up along with an approved Commercial Investment Strategy (Council, December 2016) to provide a level of scrutiny and governance around property purchases. The board consists of six Members and council officers (to include the Head of Finance and Asset Management and the Asset Manager) who receive investment proposals and evaluate individual proposals for bidding.

Commercial deals and corporate governance:

Lambert Smith Hampton Investment Management (LSHIM) were appointed as our professional property investment advisers. The Council gave them the total amount of money available for investment and the minimum net return we will accept and they recommended a balanced portfolio between industrial, retail and office accommodation in order to spread the risk between sectors.

When a property comes to the market that LSHIM believe fits this criteria they will send us a summary to see whether we are interested in pursuing it further. If we choose to look into the investment, we commission LSHIM to perform their due diligence and prepare a full report on the property.

Detailed analysis of any potential bids are received by the board outlining the risks, returns, any existing tenancies and asset management opportunities for the property explained. LSHIM are aware of the differing requirements of a local authority and recommend properties that would fit within our approved commercial strategy and risk appetite. Detailed financials are received outlining possible net returns to us which include our statutory costs such as minimum revenue provision (MRP) and also allow for voids and conservative estimates of any rent increases.

Authority of investments up to £12m can be made by the Head of Finance and Assets in consultation with the Commercial Investment Board whereas anything over £12m is referred to the Executive Committee for deeper scrutiny and decision making.

We have no plans to buy any new investment property in the future.

Investment Indicators

The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

Total risk exposure: The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down.

Table 5: Total investment exposure in £millions

Total investment exposure	31.03.2021 Actual	31.03.2022 Forecast	31.03.2023 Forecast
Treasury management investments	13.47	10.50	9.50
Commercial investments: Property	60.42	60.42	60.42
TOTAL INVESTMENTS	**73.89**	**70.92**	**69.92**

How investments are funded: Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

We have no treasury management investments funded by borrowing and have no plans to do this in the future either.

Table 6: Investments funded by borrowing in £million

Investments funded by borrowing	31.03.2021 Actual	31.03.2022 Forecast	31.03.2023 Forecast
Commercial investments: Property	39.40	33.90	30.30
TOTAL FUNDED BY BORROWING	**39.40**	**33.90**	**30.30**

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

*Table 7: Investment rate of return (**net** of all costs)*

Investments net rate of return	2020/21 Actual	2021/22 Forecast	2022/23 Forecast
Treasury management investments	2.26%	2.35%	2.20%
Commercial investments: Property	2.94%	2.80%	3.33%

Minimum Revenue Provision Statement 2022/23

Annual Minimum Revenue Provision Statement 2022/23

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Ministry for Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2018.

The broad aim of the Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance.

- For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate of the Public Works Loan Board (PWLB) annuity rate (less the 0.2% for certainty rate) for 20 years on the day or purchase, starting in the year after the asset becomes operational. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

- MRP on purchases of freehold land will be charged over 50 years.

- For assets acquired by finance leases, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

- Where former operating leases have been brought onto the balance sheet on 1st April 2022 due to the adoption of the *IFRS 16 Leases* accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or discounts, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.

Capital expenditure incurred during 2022/23 will not be subject to a MRP charge until 2023/24.

Based on the Authority's latest estimate of its capital financing requirement (CFR) on 31st March 2022, the budget for MRP has been set as follows:

	31.03.2022 Estimated CFR £'000	**2022/23 Estimated MRP £'000**
Unsupported capital expenditure after 31.03.2008	55,118	905
Voluntary overpayment (or use of prior year overpayments)	**0**	**0**
Total General Fund	**55,007**	**905**

Overpayments: In earlier years, the Authority has made voluntary overpayments of MRP that are available to reduce the revenue charges in later years.

MRP Overpayments	**£'000**
Actual balance 31.03.2021	88
Approved [overpayment/drawdown] 2021/22	0
Expected balance 31.03.2022	88
Planned [overpayment/drawdown] 2022/23	0
Forecast balance 31.03.2023	88

Treasury Management Strategy Statement 2022/23

Introduction

Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.

Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

External Context

Economic background: The ongoing impact on the UK from coronavirus, together with higher inflation, the likelihood of higher interest rates, and the country's trade position post-Brexit, will be major influences on the Authority's treasury management strategy for 2022/23.

The Bank of England (BoE) held Bank Rate at 0.10% in November 2021 and maintained its Quantitative Easing programme at £895 billion. The Monetary Policy Committee (MPC) voted 7-2 to keep rates on hold and 6-3 to maintain the asset purchase programme. Within the announcement the MPC suggested interest rates would be increased soon, but not to the 1% level expected by financial markets. Within the November 2021 Monetary Policy Report, the Bank expected consumer price index (CPI) inflation to peak at around 5% in April 2022 before falling back as the impact from higher energy prices fade and demand slows.

UK CPI for September 2021 registered 3.1% year on year, slightly down from 3.2% in the previous month. Core inflation, which excludes the more volatile components, fell to 2.9% y/y from 3.1%. The most recent labour market data for the three months to August 2021 showed the unemployment rate fell to 4.5% while the employment rate rose to 75.3%. Both measures were helped by the extension of the government's furlough scheme, but this ended in September 2021 and while this may put some pressure on the jobs market, it is not expected to be material, with the BoE forecasting unemployment will only increase modestly in Q4 2021 according to its November 2021 Monetary Policy Report but remain low overall.

In August 2021, the headline 3-month average annual growth rate for wages were 7.2% for total pay and 6.0% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 4.7% while regular pay was up 3.4%. These figures should be interpreted with caution, however, as pay growth is now being impacted by base effects compared to 12 months ago when earnings were first affected by the coronavirus pandemic. Moreover, there has also been a fall in the number and proportion of lower paid jobs, helping to push up the average earnings figure.

Gross domestic product (GDP) grew by 5.5% in the second calendar quarter of 2021, compared to a fall of -1.6% q/q in the previous three months, with the annual rate jumping to 23.6% from -6.1%. Here too, base effects from 2020 have resulted in the high Q2 2021 data. Monthly GDP estimates have shown the economy is recovering, with the economy now just 0.8% below its pre-pandemic level. Looking ahead, the BoE's November 2021 Monetary Policy Report forecasts economic growth will rise by 1.5% in Q3 2021, 1.0% in Q4 2021 with the economy expected to get back to its pre-pandemic level in Q1 2022. GDP growth is now expected to be around 5% in 2022 (revised down from 6%), before slowing to 1.5% in 2023 and 1% in 2024.

GDP growth in the euro zone increased by 2.2% in calendar Q3 2021 following a gain of 2.1% in the second quarter and a decline of -0.3% in the first. Headline inflation has been strong, with CPI registering 4.1% year-on-year in October, the fourth successive month of inflation. Core CPI inflation was 2.1% y/y in October, the third month of successive increases from July's 0.7% y/y. At these levels, inflation is above the European Central Bank's target of 'below, but close to 2%', putting some pressure on its long-term stance of holding its main interest rate of 0%.

The US economy expanded at an annualised rate of 2.0% in Q3 2021, slowing sharply from gains of 6.7% and 6.3% in the previous two quarters. In its November 2021 interest rate announcement, the Federal Reserve continue to maintain the Fed Funds rate at between 0% and 0.25% but outlined its plan to reduce its asset purchase programme. Having bought $120 billion of bonds each month during the pandemic to keep interest rates low, the Fed confirmed that purchases will be scaled back, starting with a $15 billion reduction in November 2021. In terms of the timing of any interest rate hikes, Fed Chair Jerome Powell said the central bank can be patient about doing so.

Credit outlook: Since the start of 2021, relatively benign credit conditions have led to credit default swap (CDS) prices for the larger UK banks to remain low and have steadily edged down throughout the year to almost pre-pandemic levels. The improved economic outlook during 2021 helped bank profitability and reduced the level of impairments many had made as provisions for bad loans. However, the relatively recent removal of coronavirus-related business support measures by the government means the full impact on bank balance sheets may not be known for some time.

The improved economic picture during 2021 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several financial institutions, revising them from negative to stable.

Looking ahead, while there is still the chance of bank losses from bad loans as government and central bank support is removed, the institutions on the Authority's counterparty list are well-capitalised and general credit conditions across the sector are expected to remain benign. Duration limits for counterparties on the Authority's lending list are under regular review and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast: The Authority's treasury management adviser Arlingclose is forecasting that Bank Rate will rise in calendar Q2 2022 to subdue inflationary pressures and the perceived desire by the BoE to move away from emergency levels of interest rates.

Investors continue to price in multiple rises in Bank Rate over the next forecast horizon, and Arlingclose believes that although interest rates will rise, the increases will not be to the extent predicted by financial markets. In the near-term, the risks around Arlingclose's central case are to the upside while over the medium-term the risks shift towards the downside.

Gilt yields had increased sharply on the back of higher inflation and anticipated central bank action, however in its November MPC meeting, the committee noted that market expectations for rates were excessive, and yields have since fallen back. Yields are expected to remain broadly at current levels over the medium-term, with the 5, 10 and 20 year gilt yields expected to average around 0.60%, 1.0%, and 1.35% respectively. The risks around the gilt yield forecast are judged to be broadly balanced in the near-term and to the downside over the remainder of the forecast horizon. As ever, there will almost certainly be short-term volatility due to economic and political uncertainty and events.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A.

For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 0.25%, with no current expectation for new long-term borrowing.

Local Context

On 30th September 2021, the Authority held £34.1m of borrowing and £30.5m of treasury investments. This is set out in further detail at ***Appendix B***. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.21 Actual £m	31.3.22 Estimate £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m
General Fund CFR	55.25	54.37	53.46	52.54	51.59
Less: External borrowing	39.4	33.9	33.3	32.8	32.3
Internal (over) borrowing	**15.85**	**20.47**	**20.16**	**19.74**	**19.29**
Less: Balance sheet resources	34.30	40.80	40.80	40.80	40.80
Treasury investments	**18.45**	**20.33**	**20.64**	**21.06**	**21.51**

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

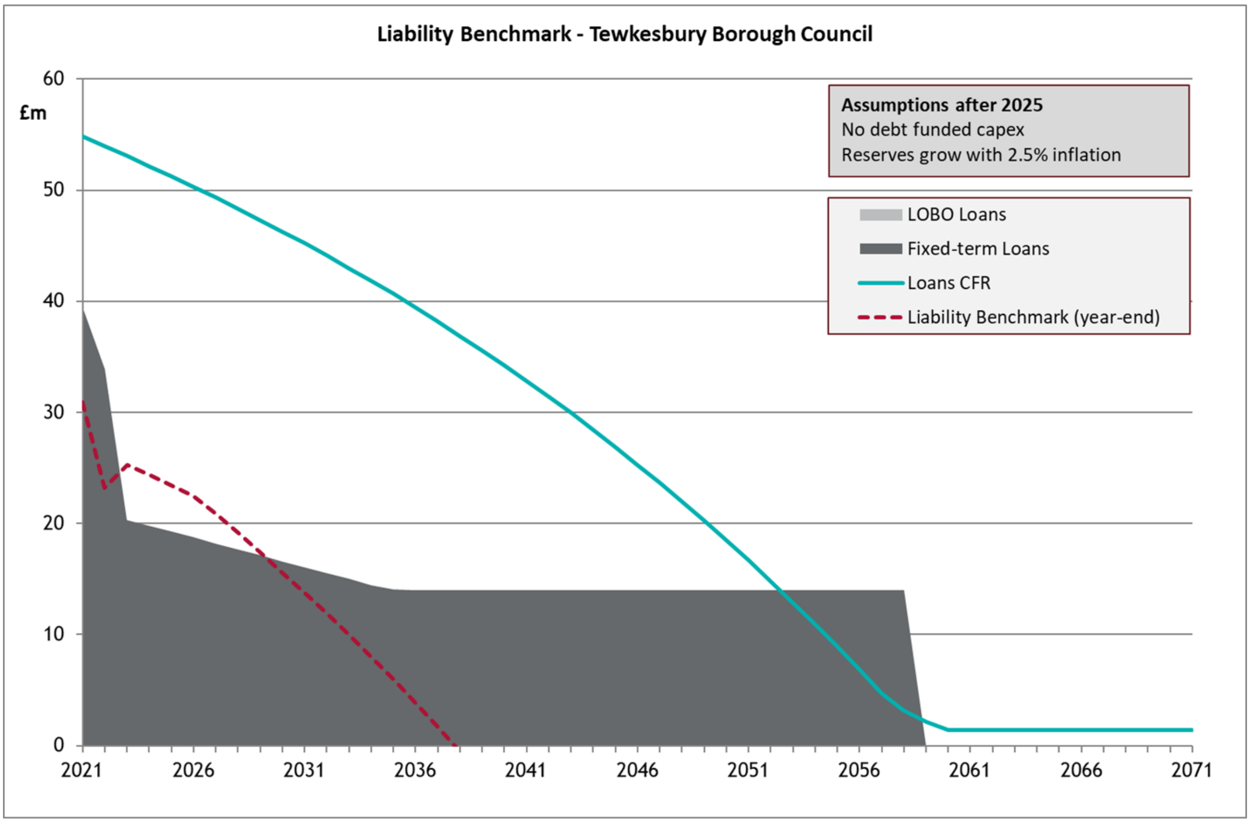
CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2022/23.

Liability benchmark: To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

Table 2: Liability benchmark

	31.3.21 Actual £m	31.3.22 Estimate £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m
CFR	55.25	54.37	53.46	52.54	51.59
Less: Balance sheet resources	34.303	40.8	40.8	40.8	40.8
Net loans requirement	20.947	13.57	12.66	11.74	10.79
Plus: Liquidity allowance	10	10	10	10	10
Liability benchmark	**30.95**	**23.57**	**22.66**	**21.74**	**20.79**

Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £0m a year, minimum revenue provision on new capital expenditure based on a 25 year asset life and income, expenditure and reserves all increasing by inflation of 2.5% a year. This is shown in the chart below:



Borrowing Strategy

The Authority currently holds £34.1 million of loans, a decrease of £5.6 million on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority expects to borrow up to £33.9m in 2022/23. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £50 million.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2022/23 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Authority has previously raised all of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.

Alternatively, the Authority may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Authority may borrow further short-term loans to cover unplanned cash flow shortages.

Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Gloucestershire County Council Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

Municipal Bonds Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

Short-term and variable rate loans: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Treasury Investment Strategy

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority’s treasury investment balance has ranged between £27.30 and £37.50 million, with levels expected to be reduced in the forthcoming year once the excess Covid grant funding has been returned to Central Government.

Objectives: The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Negative interest rates: The COVID-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority has diversified it’s portfolio into more secure and/or higher yielding asset classes during the past few years. The authority has current pooled fund investments of £9.5m and does not intend to extend this further in 2022/23. The majority of the Authority’s surplus cash remains invested in short-term unsecured bank deposits, money market funds, and loans to other local authorities and registered providers.

Business models: Under the new IFRS 9 standard, the accounting for certain investments depends on the Authority’s “business model” for managing them. The Authority aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved counterparties: The Authority may invest its surplus funds with any of the counterparty types in table 3 below, subject to the limits shown.

Table 3: Treasury investment counterparties and limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£2m	Unlimited
Secured investments *	25 years	£2m	Unlimited
Banks (unsecured) *	13 months	£2m	Unlimited
Building societies (unsecured) *	13 months	£1m	£2m
Registered providers (unsecured) *	5 years	£2m	£5m
Money market funds *	n/a	£2m	Unlimited
Strategic pooled funds	n/a	£4m for CCLA Property Fund for & £2m for all other pooled funds	£10m
Real estate investment trusts	n/a	£2m	£5m
Other investments *	5 years	£1m	£2m

This table must be read in conjunction with the notes below

*** Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Government: Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Secured investments: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Banks and building societies (unsecured): Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Registered providers (unsecured): Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Money market funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Strategic pooled funds: Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

Operational bank accounts: The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £4m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Investment limits: The Authority's revenue reserves available to cover investment losses are forecast to be £3.44 million on 31st March 2022. The maximum that will be lent to any one organisation (other than the UK Government) will be £2 million with the exception of the CCLA Property Fund which has a limit of £4m as part of the balanced pooled fund portfolio. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

Credit risk exposures arising from non-treasury investments, financial derivatives and balances held for cash flow purposes in operational bank accounts count against the relevant investment limits.

Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Additional investment limits

	Cash limit
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker's nominee account	£5m per broker
Foreign countries	£2m per country

Liquidity management: The Authority uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

The Authority will spread its liquid cash over at least four providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit rating	A

Interest rate exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£190,000
Upper limit on one-year revenue impact of a 1% fall in interest rates	£190,000

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

Maturity structure of borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal sums invested for periods longer than a year: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2022/23	2023/24	2024/25
Limit on principal invested beyond year end	£14m	£13m	£12m

Related Matters

The CIPFA Code requires the Authority to include the following in its treasury management strategy.

Financial derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Markets in Financial Instruments Directive: The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Head of Finance and Asset Management believes this to be the most appropriate status.

Financial Implications

The budget for investment income in 2022/23 is £440k, based on an average investment portfolio of £20m million at an interest rate of 2.20%. The budget for debt interest paid in 2022/23 is £468k, based on an average debt portfolio of £40 million at an average interest rate of 1.17%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Head of Finance & Asset Management, having consulted the Lead Member for Finance & Asset Management, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management

Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A – Arlingclose Economic & Interest Rate Forecast – October 2021

Underlying assumptions:

- The global economy continues to recover from the pandemic but has entered a more challenging phase. The resurgence of demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. This is particularly apparent in the UK due to the impact of Brexit
- While Q2 UK GDP expanded more quickly than initially thought, the 'pingdemic' and more latterly supply disruption will leave Q3 GDP broadly stagnant. The outlook also appears weaker. Household spending, the driver of the recovery to date, is under pressure from a combination of retail energy price rises, the end of government support programmes and soon, tax rises. Government spending, the other driver of recovery, will slow considerably as the economy is taken off life support
- Inflation rose to 3.2% in August. A combination of factors will drive this to over 4% in the near term. While the transitory factors affecting inflation, including the low base effect of 2020, are expected to unwind over time, the MPC has recently communicated fears that these transitory factors will feed longer-term inflation expectations that require tighter monetary policy to control. This has driven interest rate expectations substantially higher
- The supply imbalances are apparent in the labour market. While wage growth is currently elevated due to compositional and base factors, stories abound of higher wages for certain sectors, driving inflation expectations. It is uncertain whether a broad-based increased in wages is possible given the pressures on businesses.
- Government bond yields increased sharply following the September FOMC and MPC minutes, in which both central banks communicated a lower tolerance for higher inflation than previously thought. The MPC in particular has doubled-down on these signals in spite of softer economic data. Bond investors expect higher near-term interest rates but are also clearly uncertain about central bank policy.
- The MPC appears to be playing both sides, but has made clear its intentions to tighten policy, possibly driven by a desire to move away from emergency levels. While the economic outlook will be challenging, the signals from policymakers suggest Bank Rate will rise unless data indicates a more severe slowdown.

Forecast:

- Arlingclose expects Bank Rate to rise in Q2 2022. We believe this is driven as much by the Bank's desire to move from emergency levels as by fears of inflationary pressure.
- Investors have priced in multiple rises in Bank Rate to 1% by 2024. While we believe Bank Rate will rise, it is by a lesser extent than expected by markets
- Gilt yields have risen sharply as investors factor in higher interest rate and inflation expectations. From here, we believe that gilt yields will be broadly steady, before falling as inflation decreases and market expectations fall into line with our forecast
- The risk around our forecasts for Bank Rate is to the upside over the next few months, shifting to the downside in the medium term. The risks around the gilt yield forecasts are initially broadly balanced, shifting to the downside later

	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
Official Bank Rate													
Upside risk	0.15	0.15	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.10	0.10	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	-0.15	-0.15	-0.15	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40
3-month money market ra													
Upside risk	0.10	0.15	0.20	0.20	0.30	0.30	0.30	0.30	0.35	0.35	0.35	0.35	0.35
Arlingclose Central Case	0.10	0.15	0.35	0.40	0.45	0.60	0.65	0.65	0.60	0.60	0.60	0.60	0.60
Downside risk	0.00	-0.05	-0.25	-0.25	-0.30	-0.45	-0.50	-0.50	-0.45	-0.45	-0.45	-0.45	-0.45
5yr gilt yield													
Upside risk	0.25	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.65	0.65	0.65	0.65	0.65	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
Downside risk	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40
10yr gilt yield													
Upside risk	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
Arlingclose Central Case	1.05	1.05	1.05	1.05	1.05	1.05	1.00	0.95	0.95	0.95	0.90	0.90	0.90
Downside risk	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50
20yr gilt yield													
Upside risk	0.30	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	1.40	1.40	1.40	1.40	1.35	1.35	1.30	1.30	1.30	1.30	1.30	1.30	1.30
Downside risk	-0.35	-0.40	-0.45	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
50yr gilt yield													
Upside risk	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	1.30	1.30	1.30	1.30	1.25	1.25	1.20	1.20	1.20	1.20	1.20	1.20	1.20
Downside risk	-0.35	-0.35	-0.35	-0.40	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50

PWLB certainty rate = relevant gilt yield + 0.80%

Appendix B – Existing Investment & Debt Portfolio Position

	30/09/2021 **Actual portfolio** **£m**	30/09/2021 **Average rate** **%**
External borrowing:		
Public Works Loan Board	21.10	2.00
Local authorities	13.00	0.11
LOBO loans from banks	0.00	0.00
Other loans	0.00	0.00
Total external borrowing	**34.10**	**1.42**
Other long-term liabilities:		
Private Finance Initiative	0.00	0.00
Leases	0.00	0.00
Transferred Debt	0.00	0.00
Total other long-term liabilities	0.00	0.00
Total gross external debt	**34.10**	**1.42**
Treasury investments:		
The UK Government	0.00	0.00
Local authorities	0.00	0.00
Other government entities	0.00	0.00
Secured investments	0.00	0.00
Banks (unsecured)	8.00	0.07
Building societies (unsecured)	0.00	0.00
Registered providers (unsecured)	3.00	1.70
Money market funds	10.00	0.01
Strategic pooled funds	8.99	4.72
Real estate investment trusts	0.50	2.20
Other investments	0.00	0.00
Total treasury investments	**30.49**	**1.60**
Net debt	**3.61**	

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	15 December 2021
Subject:	Appointment of External Auditor
Report of:	Head of Finance and Asset Management
Corporate Lead:	Head of Finance and Asset Management
Lead Member:	Finance and Asset Management
Number of Appendices:	None

Executive Summary:

The Local Audit and Accountability Act 2014 (‘the Act’) requires that a local auditor is appointed no later than 31 December in the financial year preceding the financial year of the accounts to be audited. This report sets out the proposals for appointing the external auditor to the Council for the 2023/24 accounts and beyond, noting that the current appointment applies up to and including the 2022/23 accounts.

Regulations made under the Act allow authorities to opt in for their external auditor to be appointed by an ‘appointing person’. Public Sector Audit Appointments Ltd (‘PSAA’) has been specified by the Secretary of State as an ‘appointing person’ (or ‘sector led body’). PSAA has now formally invited the Council to opt-in, along with all other authorities, to the appointment scheme for the financial years 2023/24 to 2027/28, so that they can enter into contracts with appropriately qualified audit firms and appoint a suitable firm to be the Council’s external auditor from April 2023.

Recommendation:

To RECOMMEND TO COUNCIL that the Public Sector Audit Appointments (PSAA) invitation to ‘opt-in’ to the sector led national scheme for the appointment of external auditors for the five financial years commencing 1 April 2023 be accepted.

Reasons for Recommendation:

Whilst the Council has until December 2022 to appoint the external auditors for the 2023/24 accounts, PSAA has formally invited the Council to opt-in to the national scheme. If the Council is to take advantage of this national scheme for appointing external auditors then it needs to take the decision to enable it to accept the invitation by early March 2022.

Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by Full Council (authority meeting as a whole). To comply with this regulation Audit and Governance Committee is asked to make the recommendation above to Council.

Resource Implications:

The PSAA scale fee for the 2020/21 audit is £34,589; however, Grant Thornton has submitted a proposed total fee of £55,589 to reflect changes in work required to address professional and regulatory requirements and scope associated with risk.

There is a risk that current external audit fee levels could increase when the current contracts end. It is clear that the scope of audit has increased, requiring more audit work. There are also concerns about capacity and sustainability in the local audit market. In 2019 the Ministry of Housing, Communities and Local Government (as was) accepted that audit fees had become insufficient to reflect the increased challenges in auditing local authorities. In response to the Redmond Review the Government committed to review and reform regulations to provide the appointing person with greater flexibility to ensure the costs to audit firms of additional work are met and reduce the need for time consuming case-by-base consideration. A consultation on changes to the Local Audit (Appointing Person) Regulations 2015 took place earlier this year. The Government also announced £15 million nationally in additional funding in 2021/22 to support affected local bodies to meet the anticipated rise in audit fees in 2021/22. The Council's share is not yet known or whether the additional funding will be ongoing.

The proposed fees for the subsequent years cannot be known until the procurement process has been completed, as the costs will depend on proposals from the audit firms. However, opting-in to a national scheme will provide maximum opportunity to ensure fees are as low as possible, whilst ensuring the quality of audit is maintained by entering into a large scale collective procurement arrangement.

If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement.

Legal Implications:

Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor.

Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.

Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State.

The Local Audit (Appointing Person) Regulations 2015 (SI 192) gives the Secretary of State the ability to enable a SLB to become the appointing person and confirms the decision to opt-in must be made by the authority meeting as a whole (i.e.Council).

Risk Management Implications:

As set out in the report, use of PSAA minimises the risks inherent in undertaking our own procurement.

Performance Management Follow-up:

Head of Finance and Asset Management to act as lead for the Council in liaising with PSAA to ensure the appropriate appointment takes place in the required timescale.

Environmental Implications:

None

1.0 INTRODUCTION/BACKGROUND

1.1 The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The Council opted into the ‘appointing person’ national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.

1.2 PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. During autumn 2021 all local government bodies need to make important decisions about their external audit arrangements from 2023/24. They have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.

1.3 If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at Council. The opt-in period starts on 22 September 2021 and closes on 11 March 2022. To opt-in to the national scheme from 2023/24, the Council needs to return completed opt-in documents to PSAA by 11 March 2022.

2.0 PROCUREMENT OF EXTERNAL AUDITORS FOR THE PERIOD 2023/24 TO 2027/28

2.1 Under the Local Government Audit & Accountability Act 2014 (“the Act”), the Council is required to appoint an auditor to audit its accounts for each financial year. The Council has three options:

- To appoint its own auditor, which requires it to follow the procedure set out in the Act.
- To act jointly with other authorities to procure an auditor following the procedures in the Act.
- To opt-in to the national auditor appointment scheme administered by a body designated by the Secretary of State as the ‘appointing person’. The body currently designated for this role is Public Sector Audit Appointments Limited (PSAA).

2.2 Whilst all three options have advantages and disadvantages, the option to opt-in to a national appointment scheme has significant benefits over and above the other options. It was the route agreed by Council for the current contract and by 98% of all eligible bodies. The following paragraphs give more detail on this option and the use of PSAA.

2.3 PSAA is an independent, not-for-profit company limited by guarantee incorporated by the Local Government Association. It was specified as an ‘appointing person’ in 2016 by the Secretary of State under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role, PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. PSAA costs are around 4% of the scheme with any surplus distributed back to scheme members. PSAA will make auditor appointments for authorities that choose to opt-in to this second national appointment scheme for audits of the accounts for financial years 2023/24 to 2027/28.

2.4 There are pressures on the local audit market arising from additional work and recruitment and retention challenges. PSAA will seek to encourage market sustainability in its procurement. Firms will be able to bid for a variety of differently sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and to reflect realistic market prices in their tenders, informed by the scale fees and the supporting information provided about each audit. Where regulatory changes are in train which affect the amount of audit work suppliers must undertake, firms will be informed as to which developments should be priced into their bids.

2.5 The scope of the audit will still be specified nationally with the National Audit Office responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Auditors are regulated by the Financial Reporting Council (FRC), which will be replaced by a new body with wider powers, the Audit, Reporting and Governance Authority (ARGA) during the course of the next audit contract. Councils therefore have very limited influence over the nature of the audit services they are procuring, the nature and quality of which are determined or overseen by third parties.

2.6 The sector led, collaborative, national scheme from 2023 will build on the range of benefits already available for members and include:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency;
- ongoing management of any independence issues which may arise;
- access to a specialist PSAA team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members - in 2019 £3.5million was returned to relevant bodies and more recently a further distribution of £5.6m was announced in August 2021;
- collective efficiency savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- avoids the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- updates from PSAA to Section 151 officers and Audit Committee Chairs on a range of local audit related matters to inform and support effective auditor-audited body relationships; and
- concerted efforts to work with other stakeholders to develop a more sustainable local audit market.

2.7 A decision to become an opted-in authority must be taken in accordance with the Regulations, that is by the members of an authority meeting as a whole except where the authority is a corporation sole, such as a Police and Crime Commissioner, in which case this decision can be taken by the holder of that office.

2.8 The Audit and Governance Committee is requested to recommend to Council that Tewkesbury Borough Council opt-in to the national scheme. The Council has until 11 March 2022 to formally opt-in to the scheme.

3.0 OTHER OPTIONS CONSIDERED

3.1 The remaining two options open to the Council under the Act are not recommended as the preferred option, due to their associated disadvantages and costs.

3.2 Alternative option 1: To make a stand-alone appointment

In order to make a stand-alone appointment the Council will need to set up an auditor panel. The panel membership must be wholly, or a majority, independent members as defined by the Act. Independent members for this purpose are independent appointees. This excludes current and former elected Members (or officers) and their close families and friends. This means that elected Members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. A new independent auditor panel established by the Council will be responsible for selecting the auditor.

Advantages/benefit:

a. Setting up an auditor panel allows the Council to take maximum advantage of the local appointment regime and have local input to the decision.

Disadvantages/risks:

a. Recruitment and servicing of the auditor panel, running the bidding exercise and negotiating the contract are estimated by the LGA to cost in the order of £15,000 plus ongoing expenses and allowances.

b. The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts and is therefore likely to end up paying significantly higher fees.

c. The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected Members.

3.3 Alternative option 2: Local joint procurement arrangements

The Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly, or a majority, of independent appointees. Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council needs to liaise with other local authorities to assess the appetite for such an arrangement.

Advantages/benefits:

a. The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.

b. There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

Disadvantages/risks:

a. The decision-making body will be further removed from local input, with potentially no input from elected Members where a wholly independent auditor panel is used, or possibly only one elected Member representing each Council, depending on the constitution agreed with the other bodies involved.

b. The choice of auditor could be complicated where individual Councils have independence issues. An independence issue occurs where the auditor has recently carried out, or is currently carrying out, work such as consultancy or advisory work for the Council. Where this occurs some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for this Council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.

c. Even if the Council joins with one or more other local authorities, it will still not be able to offer the scale of appointment that would be available on a nationwide process. It would therefore be likely to incur higher fees than the preferred option detailed at Paragraph 2.3.

4.0 CONSULTATION

4.1 The Lead Member for Finance and Asset Management has been consulted on the requirement to appoint external auditors and the options available under the regulations.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

5.1 None

6.0 RELEVANT GOVERNMENT POLICIES

6.1 None

7.0 RESOURCE IMPLICATIONS (Human/Property)

7.1 None

8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

8.1 None

9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

9.1 The route of appointment recommended offers the Council the best value in the process of appointing its external auditors and is likely to result in the best value ongoing cost of providing an external audit service.

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 None

Background Papers: None

Contact Officer: Head of Finance and Asset Management
01684 272005 Simon.dix@tewkesbury.gov.uk

Appendices: None

TEWKESBURY BOROUGH COUNCIL

Report to:	Council
Date of Meeting:	25 January 2022
Subject:	Schedule of Meetings 2022/23
Report of:	Head of Democratic Services
Corporate Lead:	Borough Solicitor
Lead Member:	Lead Member for Corporate Governance
Number of Appendices:	One

Executive Summary:

To agree a Schedule of Meetings for 2022/23.

Recommendation:

To ADOPT the Schedule of Meetings shown at Appendix 1.

Reasons for Recommendation:

To ensure that there is a Schedule of Meetings in place for the 2022/23 Municipal Year.

Resource Implications:

None.

Legal Implications:

None.

Risk Management Implications:

None.

Performance Management Follow-up:

Once adopted, the Schedule of Meetings will be distributed and published by Democratic Services and monitored to assess whether any problems arise which need to be addressed in the future.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

1.1 The Council's Constitution requires the Council, at the first meeting of the calendar year, to agree a programme of dates and times of meetings for the forthcoming Municipal Year.

2.0 SCHEDULE OF MEETINGS 2022/23

2.1 The Schedule of Meetings attached at Appendix 1 has been prepared on a similar basis as the current Schedule.

3.0 OTHER OPTIONS CONSIDERED

3.1 None.

4.0 CONSULTATION

4.1 Relevant Officers have been consulted.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

5.1 None.

6.0 RELEVANT GOVERNMENT POLICIES

6.1 None.

7.0 RESOURCE IMPLICATIONS (Human/Property)

7.1 None.

8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

8.1 None.

9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

9.1 None.

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 None.

Background Papers: None.

Contact Officer: Democratic Services

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Appendices: Appendix 1 – Proposed Schedule of Meetings 2022/23

TEWKESBURY BOROUGH COUNCIL SCHEDULE OF MEETINGS 2022/23

MEETING	TIME	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY
Council	6.00pm	Tu 10 Tu 17		Tu 26		Tu 27			Tu 6	Tu 24	Tu 21*		Tu 11	Tu 23 Tu 30
Executive	2.00pm		W 1	W 6	W 31		W 5	W 16		W 4	W 1	W 1 W 29		
Planning	10.00am		Tu 21	Tu 19	Tu 16	Tu 20	Tu 18	Tu 15	Tu 20	Tu 17	Tu 21	Tu 21	Tu 18	
Licensing	2.30pm		Th 9				Th 6				Th 16			
Overview and Scrutiny	4.30pm		Tu 7	Tu 12		Tu 6	Tu 11	Tu 22		Tu 10	Tu 7	Tu 7	Tu 4	
Audit and Governance	2.00pm			W 20		W 28		W 23				W 22		
Standards	2.00pm					M 19						M 13		
Horsford Trust Management Committee	10.00am		Th 30											

* The date of the Council meeting in February 2023 can only be confirmed once the date of the County Council meeting has been set.

Bank Holidays: 2 May 2022, 2 & 3 June 2022, 29 August 2022, 26 & 27 December 2022, 2 January 2023, 7 & 10 April 2023 and 1 & 29 May 2023.