Public Document Pack

COTSWOLD
DISTRICT COUNCIL

Wednesday, 19 January 2022

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AUDIT COMMITTEE

A meeting of the Audit Committee will be held at on **Thursday, 27 January 2022 at 4.00 pm.**

Rob Weaver
Chief Executive

To: Members of the Audit Committee
(Councillors Stephen Andrews, Tony Berry, Patrick Coleman, Mark Harris, Nick Maunder, Nigel Robbins and Ray Theodoulou)

Recording of Proceedings – The law allows the public proceedings of Council, Cabinet, and Committee Meetings to be recorded, which includes filming as well as audio-recording. Photography is also permitted.

As a matter of courtesy, if you intend to record any part of the proceedings please let the Committee Administrator know prior to the date of the meeting.

AGENDA

1. **Apologies**

2. **Substitute Members**
To note details of any substitution arrangements in place for the meeting.

3. **Declarations of Interest**
To receive any declarations of interest from Members and Officers, relating to items to be considered at the meeting.

4. **Minutes** (Pages 5 - 14)
To confirm the minutes of the meeting of the Committee held on 23rd November 2021.

5. **Public Questions**
To deal with questions from the public within the open forum question and answer session of fifteen minutes in total. Questions or supplementary questions from each member of the public should be no longer than two minutes each and relate issues under the Committee's remit.

6. **Member Questions**
To deal with written questions by Members, relating to issues under the Committee's remit, with the maximum length of oral supplementary questions at Committee being no longer than one minute. Responses to any supplementary questions will be dealt with in writing following the meeting.

7. **Internal Audit Monitoring Report** (Pages 15 - 40)
Purpose
To present a summary of the audit work concluded since the last meeting of this Committee.

Recommendation(s)
That the Committee considers the report at Annex A and comments as necessary

8. **Aged Debtor Analysis** (Pages 41 - 58)
Purpose
To receive and consider the Council's Aged Debt Analysis

Recommendation(s)
The Audit Committee are asked to consider with appropriate comment, the levels of aged debt held.

9. **Grant Thornton Verbal Update**
Purpose
To consider the verbal update from Grant Thornton

10. **Corporate Risk Register Update** (Pages 59 - 72)
Purpose
To update the Committee on the changes to the Council's corporate risk register at the end of 2021/22 Q3

Recommendation(s)
To note the updates to the Council's corporate risk register

11. **Annual Governance Statement Update** (Pages 73 - 82)
Purpose
This report presents an update on the Governance Action Plan for 2021/22

Recommendation(s)
To note progress against items in the Governance Action Plan for 2021/22

12. **CIPFA Prudential Code and Treasury Management Code** (Pages 83 - 90)
Purpose
To review the revised CIPFA Prudential Code and Treasury Management Code

Recommendation(s)
To note the revised CIPFA Prudential Code and Treasury Management Code

13. **Medium Term Financial Strategy and Budget 2022/23** (Pages 91 - 192)
Purpose
The purpose of this report is to provide the Audit Committee with the opportunity to consider the draft Medium Term Financial Strategy, Capital, Investment and Treasury Management Strategies for 2022/23. The Committees may provide feedback for the Cabinet and Council to consider as part of the approval process for the strategies.

Recommendation(s)
That the Committee considers

a) the Medium Term Financial Strategy,
b) the Capital Strategy,
c) the Investment Strategy,
d) the draft Treasury Management Strategy,
e) the terms of the proposed Local Climate Bonds being an issue of £1 million at an interest rate of 1.18% for a term five years; and
f) provides feedback for the Cabinet and Council to consider as part of the 2022/23 budget setting process.

14. **Work Plan 2021/22** (Pages 193 - 194)
Purpose
To note the Work Plan as presented

(END)

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Audit Committee
23/November2021

COTSWOLD
DISTRICT COUNCIL

Minutes of a meeting of the Audit Committee held on Tuesday, 23 November 2021.

Councillors present:

Patrick Coleman	Nigel Robbins	
Stephen Andrews	Mark Harris	Ray Theodoulou
Tony Berry	Nick Maunder	

Officers present:

Jenny Poole, Deputy Chief Executive
Michelle Burge, Chief Accountant
Emma Cathcart, Head of Service, Counter Fraud and Enforcement Unit
Caleb Harris, Strategic Support Officer - Democratic Services
Angela Claridge, Interim Monitoring Officer
Mike Butler, Strategic Support Officer - Land, Legal and Property – Publica
Peter Barber, External Auditor – Grant Thornton
Helen Lillington – Grant Thornton

Observers: Councillor Mike Evemy, Deputy Leader of the Council and Cabinet Member for Finance

103 Apologies

There were apologies provided from Senior Democratic Services Officer, Ben Patel-Sadler due to unforeseen circumstances preventing attendance.

Councillor Harris, Councillor Theodoulou, and Councillor Robins also gave apologies to the Chair as they would have to leave the meeting early.

104 Substitute Members

There were no substitute Members.

105 Declarations of Interest

There were no declarations of interest from Members or Officers present.

106 Minutes

The Chair read out the changes to the minutes circulated to officers in advance of the meetings

Democratic Services undertook to change the minutes in accordance with the document circulated to the Committee and to Officers

RESOLVED: that subject to the amendments being made, the minutes are a true and accurate reflection of the previous meeting on the 21st October 2021.

Voting Record

7 for, 0 against, 0 abstention

107 Public Questions

There were no public questions

108 Member Questions

There were no Member questions.

109 Statement of Accounts 2020/21

The Deputy Chief Executive started by expressing thanks to Officers and Grant Thornton for their work.

Chief Accountant opened the item for the Statement of Accounts which included an updated version of the Accounts which had been first presented to the Audit Committee in July. The Chief Accountant stated that there had been some minor corrections and changes of a disclosure and narrative nature only as outlined in the document pack from the external auditors.

The Chief Accountant outlined Annex A which included suggestions for amendments to the Statement of Accounts from Grant Thornton, Annex C which included comments and queries from Members with responses from Officers in respect of the draft Statement of Accounts and Annex D which outlined the Annual Governance Statement, tracking changes between the current and prior year Statement

The Committee thanked report authors for highlighting changes made which had made analysing the document easier for Members. There was a query from the Committee regarding the order of questioning on the documents presented.

The Chair outlined how the report from Grant Thornton (Annex A) would have questions to the External Auditor, and then the other documents presented would have questions to Chief Accountant and Deputy Chief Executive.

The Committee asked about the figures and how they are presented with the document. An example was raised regarding the revised budget being £1.68 million less than the original budget, and wishing to note what the outcome of these lower figures means.

The Deputy Chief Executive recognised the point made, but highlighted that the document was circulated in July for Members of the Committee to review, raise questions and make suggested changes to the Statement of Account. It was further reported that any changes would need to go back to Grant Thornton for review before the Accounts would be approved and the external audit opinion issued. A commitment was made to take any other questions outside of the meeting for individual queries.

The External Auditor opened by reiterating the points from the Progress Report made from the previous meeting. The auditor spoke regarding the Audit Findings report in Annex A, and how progress had been made.

It was highlighted by the External Auditor that whilst work was on track before this meeting, staff absences meant that the closing procedures have not been concluded. Following discussions with Officers at the Council, the sign off for these procedures are now due to be completed in early December, however this could be January if the staff absence remains an issue.

The Committee asked whether the documents in Annex A were draft findings or the final version of the Audit Findings Report.

The Chair outlined that this was the final wording other than some outstanding issues.

The External Auditor outlined parts of Annex A which require resolution, for example financial instruments. The outstanding items are relatively immaterial to the Accounts and should be completed once the staff absence is resolved.

The Chair referred to Annex A and Appendix E regarding responsibilities for governance arrangements and the financial reporting process.

The External Auditor referred to the wording within the document providing assurance that the Accounts are materially accurate and that all regulations are being adhered to. However, the External Auditor recognised that the terminology and the narrative was difficult to read and understand due to the technical language which had to be used.

The Chair then moved the Committee to Appendix F and outlined suggested changes to the wording of the Management Letter of Representation. The External Auditor thanked the Chair for pointing out the changes within the draft, and stated that when the opinion is released the changes would be made.

The Committee queried the Value for Money (VFM) arrangements and the wording around financial risks within the document.

The External Auditor outlined changes in the new VFM approach and specifically how financial sustainability is being assessed. An independent assessment would then be reported to the Committee.

The External Auditor however made it clear that work so far does not indicate any negative practices towards the management of finances by the Council. Instead, the report is outlining the areas where there are uncertainties in the financial position of all or many local authorities going forward.

The External Auditor, following further queries, outlined the Audit Plan and the areas of focus. These are financial sustainability, governance, and economy, efficiency and effectiveness with a particular focus on financial sustainability.

The Committee noted that there have been understandable difficulties resulting in the sign-off being delayed. The Committee also noted the misprint of the date for the Audit Findings Report of 31st January 2021 rather than 2022.

The External Auditor recognised this and noted this for correction.

Following queries from the Committee regarding any updates to the auditor's findings, the Deputy Chief Executive assured the Committee that she would keep Members updated on progress for the sign-off.

The Committee also raised a query in respect of the Whole Government Accounts thresholds referred to in the Audit Findings Report and how far the Council was from those thresholds for the additional audit procedure.
The External Auditor confirmed that the Council was not subject to these more stringent measures.

The Committee also asked about the wording referring the Valuation Report and what the wording of 'read and understood' means going forward.

The External Auditor explained that this referred to the previous year recommendation on the valuation report.

The Committee also noted the 'management response' the Depreciation section of Appendices C.

The External Auditor outlined a number of assets that have been fully depreciated, and how going forward there needs to be more critical evaluation before the end of the useful economic life of assets.

The Committee also referred to Annex B regarding the Statement of the Accounts and the reduction of income from parking and questioned if grant funding being provided had covered the shortfall.

The Deputy Chief Executive responded that the Quarter 2 Finance and Performance report would be presented to the next Overview and Scrutiny Committee and would include detail on this matter.

RESOLVED: that recommendations a), b), c), d), and e) were approved as presented to the Committee.

Voting Record

6 for, 0 against, 0 abstention, 1 absent

110 Corporate Risk Register Update and Updated Risk and Opportunity Management Strategy

The Chair handed over to Strategic Support Officer for Land, Legal and Property at Publica to present the item. It was outlined that this item would come back to future committees as a regular item.

It was outlined that the Corporate Risk Register highlights problems that would impact the Council as a whole.

The Committee asked about the reduction of the risk of flooding due to the introduction of Flood Wardens, and what the assurance could be provided for the reduction of this risk.

The Deputy Chief Executive updated committee on flood forum that was held on 22nd November and noted that a progress update would be given to the Committee by email.

The Committee questioned the use of flood wardens and how this can offset the risk of events occurring. The Chair clarified this was about the impact of flooding and ensuring a quick response to events are given.

The Committee outlined how some of the risks were very similar, but presented as separate points. The Deputy Chief Executive acknowledged the similarities and agreed to examine a way to combine some of these risks if appropriate.

The Committee raised a question over the Recovery Investment Strategy but following consultation with the Deputy Chief Executive, this was deemed to be the remit of the Overview and Scrutiny Committee.

The Committee raised the issue of the shortage of planning officers which could potentially impact the Council given the public interest in these matters.

The Deputy Chief Executive explained that a number of risk registers existed and as the risk score increased, they would be incorporated on to the Corporate Risk Register.

The Committee asked about risk and the relationship with Publica in terms of how risks are managed.

Deputy Chief Executive indicated that whilst there are some risks that are shared between the Council and Publica, most risks are managed internally by Publica and risk are raised with the Local Management Team on an exception basis.

The Committee raised the issue of cyber security in light of Member briefings given, and asked if the briefings could be repeated.

The Deputy Chief Executive undertook to ensure a second date was set for all Members.

The Committee raised the issue of the title of the title of the document being a ‘Risk and Opportunity Register’, and what opportunities were going to be examined.

The Deputy Chief Executive informed the Committee that the documents provided included a revised Risk and Opportunity Register, and suggested that the Committee examine this.

The Strategic Support Officer then went through the new Risk and Opportunity management strategy. This also included the new Publica Risk and Opportunity Management Guide. Apologies were given for this arriving on the day of the Committee.

It was explained how the document provides for the review and management of the risks on the register. Any opportunities identified would be brought to the next meeting.

The Strategic Support Officer explained a section on fraud, bribery and corruption would be included in the final section of the Strategy.

The Committee was unsure as to the future status of the register and how it might change.

The Strategic Support Officer informed the Committee that the register would stay as it is as long as the Committee was happy with this format. Reporting of opportunities would be an iterative process with the Members able to feed in to the development of the reporting.
The Committee noted the format of the document, but questioned who this might be designed for, outside of the auditors.

The Chair noted in response that it was important to have a strategy, and it is a first step in identifying the risks and opportunities which was important for management to note.

The Deputy Chief Executive outlined that Publica colleagues use this document for culture and process change within Publica.

Voting Record

5 for, 0 against, 1 abstention, 1 absent

111 Annual Governance Statement - Action Plan

The Strategic Support Officer outlined the report setting out the area of focus at the end of the Annual Governance Statement considered earlier. The Action Plan sets out the progress made against these areas of focus.

The Strategic Support Officer pointed the Committee towards the differences between the responsible officer and the accountable officer. The responsible officer taking action to put the necessary measures in place, and the accountable officer receiving the assurance.

The Chair asked a question regarding the courses provided by and any assistance available from the Local Government Association (LGA)

The Interim Monitoring Officer set out training opportunities as part of LGA including the framework for Member Training. The proposal is that the Member Development Charter is adopted for a future member development programme.

The Committee queried the reporting timelines for the Audit Recommendations and the progress to date on this.

The Strategic Support Officer indicated that work on this is ahead of the target set within the Annual Governance Statement.

The Deputy Chief Executive outlined the context behind the Annual Governance Statement and suggested that if the Overview and Scrutiny Committee wished to examine the action plan, this, could be included on the work plan for the Committee.

The Committee asked whether there should be a separate heading for ICT as this was important to the Council's operations.

The Deputy Chief Executive reiterated the role of the action plan to make improvements to the Council's governance arrangements. It was assured that ICT improvements are being made regularly.

RESOLVED that the recommendation to note the progress against items in the Governance Action Plan for 2021/22 is approved

Voting Record

6 for, 0 against, 0 abstention, 1 absent

112 Use of the Internet and Social Media for Investigations and Enforcement Policy

The Head of Service, Counter Fraud and Enforcement Unit outlined that this was the final Policy relating to surveillance activities and followed those which covered the Council's obligations regarding the Regulation of Investigatory Powers Act 2000 and the Investigatory Powers Act 2016.

As per recommendations by the Investigatory Powers Commissioner's Office, the overseeing body, the Policy outlines how staff will utilise open source intelligence and social media when investigating criminal offences. The Policy ensures that staff and the public are protected and the correct controls are in place.

The Policy is supported by a comprehensive Procedure Document which will not be publicised. This details who will undertake checks, how these will be recorded and who oversees the activities.

The Committee queried the role of elected representatives with regard to this the use of social media.

The Head of Service provided clarity that this relates to enforcement activities undertaken by staff and that elected members would not be using social media for this purpose.

The Committee asked how authorisation is given for criminal enforcement / investigations to be carried out, and what systems are in place to check this.

The Head of Service confirmed that all referrals are received centrally by the team and there is a triage arrangement in place which controls how cases are handled and are then dealt with.

The Committee asked about how privacy is balanced against the need for access to social media to carry out enforcement and whether there is a role for Members relating to whether enforcement activities are appropriate.

The Head of Service confirmed that the team are only undertaking checks when there is a legitimate reason to do so. In relation to decisions to prosecute any offences, this is a decision made by Legal Services and is based on the public interest and evidential tests, it is not a political decision.

RESOLVED: That the Committee has considered the Policy and has provided comments to Cabinet. .

Voting Record

6 for, 0 against, 0 abstention 1 absent

113 Annual Ombudsman Letter 2020/21

The Interim Monitoring Officer introduced the Annual Ombudsman Letter which was being presented to the Committee for the first time following changes to the Constitution in July.

The Interim Monitoring Officer set out how the Council has performed well within the findings for authorities in the South West.

The Committee asked whether the spreadsheet was required given that the format was difficult to read within the Document Pack.

The Interim Monitoring Officer agreed to set out a summary in an easier format when is next considered by the Committee. The first worksheet sets out the number of complaints, of which there were 8, and any referrals to the ombudsman and recommendations where there were none.

The Committee questioned the ability of the ombudsman and the power it may have over the authority.

The Interim Monitoring Officer explained that the likely impact of a negative Ombudsman decision would be reputational damage for the Council.

The Committee asked about information being made available to the Overview and Scrutiny Committee as many of these matters would be relevant outside of the Audit Committee

The Chair recognised the role of Overview and Scrutiny in these matters, but highlighted the importance of acting swiftly in these cases.

The Interim Monitoring Officer explained that the information given to Overview and Scrutiny hasn't changed, but it is the first time that the letter has been presented to the Audit Committee

RESOLVED: that the Committee notes the Ombudsman's letter

Voting Record

6 for, 0 against, 0 abstention, 1 absent

114 Work Plan 2021/22

The Deputy Chief Executive informed the Committee that following the meeting of the Capital Programme Investment Board that proposed changes to the CIPFA Prudential code and Treasury Management Code would be presented to the Committee in January 2022.

The Chair agreed to the addition of this item.

It was also noted that the Aged Debtor Analysis report would be presented to the Committee in January 2022 to fulfil the Committee's request.

RESOLVED: The Committee notes and agrees the work plan with the two additions added.

Audit Committee
23/November2021
Voting Record

4 for, 0 against, 0 abstention, 2 absent

The Meeting commenced at_3.59 pm and closed at 6.15 pm

Chair

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COTSWOLD
DISTRICT COUNCIL

Council name	**COTSWOLD DISTRICT COUNCIL**
Name and date of Committee	**AUDIT COMMITTEE – 27th JANUARY 2022**
Report Number	**AGENDA ITEM 7**
Subject	**INTERNAL AUDIT PROGRESS REPORT**
Wards affected	N/A
Accountable member	Cllr Mike Evemy, Cabinet Member for Finance Email: mike.evemy@cotswold.gov.uk
Accountable officer	Jenny Poole, Chief Finance Officer Email: jenny.poole@cotswold.gov.uk
Summary/Purpose	To present a summary of the audit work concluded since the last meeting of this Committee.
Annexes	Annex A – Report of Internal Audit Activity – Plan Progress 2021/22
Recommendation(s)	*a) That the Committee considers the report at Annex A and comments as necessary*
Corporate priorities	Ensure that all services delivered by the Council are delivered to the highest standard.
Key Decision	NO
Exempt	NO
Consultees/ Consultation	N/A

1. BACKGROUND

1.1 The Internal Audit Service is provided to this Council by SWAP Internal Audit Services (SWAP). SWAP is a local authority-controlled company.

1.2 The report attached at Annex A sets out the work undertaken by SWAP for the Council since the last meeting of this Committee. It follows the risk-based auditing principles and, therefore, this is an opportunity for the Committee to be aware of emerging issues which have resulted in SWAP involvement.

1.3 Officers from SWAP will be in attendance at the Committee meeting and will be available to address Members' questions.

2. MAIN POINTS

2.1 The progress report enables the Audit Committee to monitor the work of the Internal Audit Service and ensure that it remains effective. It also provides the Committee with assurance opinions over areas reviewed within the reporting period, details of audit recommendations and the outcome of follow-up reviews conducted on previous audit recommendations.

3. FINANCIAL IMPLICATIONS

3.1 The Internal Audit Service is operating within the contract sum.

4. LEGAL IMPLICATIONS

4.1 None directly from this report. Internal Audit reviews consider compliance with legislation relevant to the service area under review.

5. RISK ASSESSMENT

5.1 Any weaknesses in the control framework, identified by Internal Audit activity, continues to threaten organisational objectives until recommendations are implemented.

6. BACKGROUND PAPERS

6.1 The following documents have been identified by the author of the report in accordance with section 100D.5(a) of the Local Government Act 1972 and are listed in accordance with section 100 D.1(a) for inspection by members of the public:

- Internal Audit Reports.

These documents will be available for inspection at the Council Offices at Trinity Road, Cirencester, GL7 1PX during normal office hours for a period of up to 4 years from the date of the meeting. Please contact democratic services via democratic@cotswold.gov.uk

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Cotswold District Council

Report of Internal Audit Activity

January 2022

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Contents

The contacts at SWAP in connection with this report are:

David Hill
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Lucy Cater
Assistant Director
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At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- **No**
- **Limited**
- **Reasonable**
- **Substantial**

- Audit Framework Definitions

Control Assurance Definitions

No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Non-Opinion – In addition to our opinion based work we will provide consultancy services. The "advice" offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

Recommendations are prioritised from 1 to 3 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

- Audit Framework Definitions

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

	Categorisation of Recommendations
Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management
Priority 3	Finding that requires attention.

Definitions of Risk

Risk	**Reporting Implications**
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Audit Plan Progress APPENDIX B

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority 1	Priority 2	Priority 3	Comments
2020/21 Audits in Draft / In Progress at date of Annual Audit Opinion								
Key Financial Control	Payroll	Final Report	High Reasonable	1			1	Reported in October
ICT	Systems Admin	Final Report	Medium Reasonable	2		2		Reported in October
Governance	Risk Management	Final Position Statement	N/A	-				Reported in October
ICT	Data Recovery Capabilities	Final Report	Low Substantial	1			1	Reported in October

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority 1	Priority 2	Priority 3	Comments
2021/22 Audit Plan								
Support	Business Grant Funding	Complete	N/A	-				Head of IA seconded to Council to support processing of Mandatory and Discretionary Business Grants from November onwards
Support	Business Grant Funding – Post Payment Assurance	On-Going	N/A	-				Head of IA working with Counter Fraud Manager to support post payment assurance review
Support	Business Grant Funding – ARG Scheme (January))NEW)	In Progress		-				Support to administration of new ARG Scheme
Support	Business Grant Funding – Omicron Grants (January) (NEW)	In Progress						Support to administration of new Omicron Grant Scheme
Support	Environmental Services Improvement Programme	On-Going	N/A	-				Support to the Programme
Support	Active Cotswolds Programme (NEW)	On-Going	N/A	-				Support to the Programme
Support	Ubico – New Shareholder	Complete	N/A	-				Support to Project Team
Operational	Accounts Payable	In Progress						Quarterly review of payments made. See Appendix C
Operational	Fire Risk Assessments	Final Report	High Reasonable	1		1		Reported in October
Support	Civica – Merge of 3 Systems	Complete						Support to Project Team
Operational	Procurement Cards	In Progress						
Operational	Emergency Planning	Final Report	High Reasonable	4		3	1	See Appendix C

Audit Plan Progress APPENDIX B

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority 1	Priority 2	Priority 3	Comments
Operational	Election Expenses – Treatment of VAT	In Progress						
Operational	Procurement (Contract Management and Monitoring)	Final Report	High Substantial	-				See Appendix C
Governance	Governance of Programmes and Projects	In Progress						
Operational	Publica Performance Information	In Progress						
Operational	Monitoring the Performance of Strategic Commissioned Services	In Progress						
Operational	S106 Contributions to Tetbury Town Council (NEW)	Final Position Statement	N/A	-				See Appendix C
Key Financial Control	Revenues and Benefits							
	• Council Tax and National Non-Domestic Rates	Draft Report						
	• Housing and Council Tax Benefits	Draft Report						
Key Financial Control	Core Financials							
	• Accounts Payable							
	• Main Accounting and Accounts Receivable	In Progress						
	• Payroll	Audit Brief Drafted						
	• Treasury Management and Bank Reconciliation	Final Report	High Substantial	-				Reported in October

Audit Plan Progress APPENDIX B

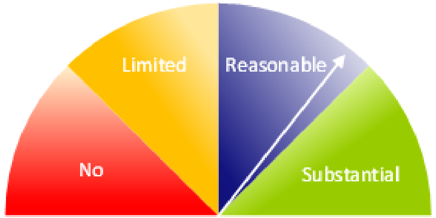
Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Key Financial Control	Human Resources							
Key Financial Control	Other Support Service provided by Publica • Procurement (Compliance with Strategy)							
ICT	Vulnerability Management	Scope Agreed						
ICT	Accounts with Admin Privileges	Scope Agreed						
Grant Certification	Disabled Facilities Grants	Complete						
Grant Certification	Restart Grants	In Progress						
Follow-Up	Follow-Ups of Recommendations made in Substantial and Reasonable Audits	On Going						
Other Audit Involvement	Working with the Counter Fraud Unit	On Going						
Other Audit Involvement	Management of the IA Function and Client Support	On Going						
Other Audit Involvement	Contingency – Provision for New Work based on emerging risks							

The following information provides a brief summary of each audit review finalised since the last Committee update

Emergency Planning – Final Report – November 2021

Audit Objective: To provide assurance the emergency planning framework supports local communities in an emergency.

Assurance Opinion



There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Number of Agreed Actions

Priority	Number
Priority 1	0
Priority 2	3
Priority 3	1
Total	**4**

Risks Reviewed

Risks Reviewed	Assessment
Ineffective emergency planning and responses result in non-compliance with statute and insufficient actions, causing damage to human welfare and the environment.	Low

Key Findings

- The Council Constitution and agreement between Publica and the Council do not clearly define civil contingency roles and responsibilities. These documents must be updated to ensure requirements are clear; any changes must be approved by Members.
- None of the current gold commanders have undertaken training in the last 3 years. A training schedule will be introduced to ensure all officers and members are familiar with current emergency planning procedures.
- There is no guidance for how to use WhatsApp securely. The Counter Fraud Unit are developing a Social Media Policy, which will include its use. Emergency Planning will liaise with Counter Fraud to ensure officers are aware of how to share information correctly in emergency planning WhatsApp groups.
- The Emergency Planning Contact Directory contained officers who were no longer Publica or Council employees. Emergency Planning will liaise with HR to ensure they are notified of all leavers so the directory can be updated when required.
- Publica is reviewing its Emergency Planning documentation. The Councils Flood Response Plan has been drafted and will be reviewed by the Environment Agency. All response plans are held on Resilience Direct, system used by the Local Resilience Forum (LRF). Publica officers regularly attend LRF meetings; officers also work closely with the Gloucestershire Civil Protection team. Publica are due to undertake an emergency planning desktop training exercise in November 2021.

Audit Scope

A review of Publica Emergency Planning documentation and procedures in place on behalf of CDC has been undertaken. We looked at a selection of controls in the below areas;

- Planning and implementation
- Information sharing and communication
- Ongoing management

Discussions were held with the Publica Business Manager – Corporate Responsibility and the Publica Risk and Resilience Specialist. A demonstration of the Resilience Direct system was provided.

The Emergency Planning Internal Contact Directory was reviewed to ensure it was current. And the Councils Flood Response Plan was checked to ensure it was in place and had been recently updated.

Observations

- Publica's engagement with town and parish councils is currently inconsistent. The Risk and Resilience Specialist confirmed they plan to work with local communities, to help residents feel more supported prior to Publica officers arriving at an incident.
- The Publica Covid-19 risk register was regularly reviewed by the working group but the dates in the document do not support this; some risks are also missing internal controls and further actions. The Publica critical services list and risk of concurrent events document have no audit trail to support when they were created or last updated. These discrepancies should be addressed in the wider Publica risk management review which is currently being undertaken.

Unrestricted

Accounts Payable – Continuous Auditing Analysis - December 2021

Audit Objective

The objective of the continuous review is to:

- Identify potential duplicate payments, summarise, and present to the AP team for remedial action,
- Review payments made on 'Sundry Supplier' codes to ensure genuine 'one-off' payments.

Audit Scope

1. Duplicate payments – review covers a period of 2 years, checking for potential duplicate payments for the Council and between Councils and/or Publica and/or CBH. Findings have been summarised and reported to AP for further review and correction where necessary. Findings have been followed-up during the subsequent review.
2. Sundry Suppliers – review covers current quarter, checking for numerous payments made to a supplier. Where examples of these are identified they have been reported to AP for further review and where appropriate the creation of a specific supplier record on AP will be required.

Testing / Findings	Q1 (Aug 21)	Q2 (Nov 21)	Q3	Q4
Duplicate Payments				
Number of Duplicate Payments identified (paid twice by Council / Publica)	2	3		
Value of Duplicate Payments identified (paid twice by Council / Publica)	£2,502.00	£8,201.63		
Number of Payments recovered either by Credit Note or Refund request from previous quarter	n/a	1		
Value of Payments outstanding from previous quarter	n/a	£462.00		
Number of Duplicate Payments identified (paid by Council and Publica or by 2 Councils)	0	1		
Value of Duplicate Payments identified (paid by Council and Publica or by 3 Councils)	£0	£435.89		
Number of Payments recovered either by Credit Note or Refund request from previous quarter	n/a	n/a		
Value of Payments outstanding from previous quarter	n/a	£0		
Sundry Suppliers				
Number of supplier(s) appearing more than once under the Sundry Supplier Record	1	0		
Number of payments made to supplier(s) who appear more than once under the Sundry Supplier Record	2	0		
Supplier record created on BW	0	0		

For Information

This continuous report will be included within the annual AP audit report and will support the annual assurance score.

S106 Contributions to Tetbury Town Council – Final Report – November 2021

Audit Objective	To provide assurance that S106 contributions paid by Cotswold District Council to Tetbury Town Council are in accordance with S106 Agreements

Executive Summary and conclusion

Background Information

Concerns were raised by the Local MP in respect of Tetbury Town Council (TTC) and its spend of S106 Funds. Further concerns were submitted by a Tetbury resident who is also a Member of the Town Council.

The scope of the review included:

- *S106 Planning Obligations including Cotswold District Council's (CDC) commitments*
- *Financial contributions received by CDC and paid to Tetbury Town Council*
- *Assurance received from Tetbury Town Council in respect of spend of S106 contributions*

Discussions were held with Officers who have a specialist knowledge of S106 Planning Obligations and specifically ones relating to Tetbury Town Council and Dolphin's Hall. We have also reviewed Agendas and Minutes published on Tetbury Town Council's website. Although we have considered all contributions due to TTC, in this review we have reported on contributions due specifically in respect of the Community Hall / Dolphin's Hall.

The following Agreements were identified as being the key documents for this review:

1. S106 12/01792 – Dated 26th September 2013
   Quercus Road, Tetbury
   Tetbury Community Contribution - £359,466 – To be used for the purpose of improvements to Tetbury Community Hall

2. S106 13/02391 – Dated 17th November 2014
   Land at Highfield Road, Tetbury
   Community Facilities Contribution - £251,712 – Dolphin's Hall: providing a complete new hall to be built adjacent to the site of the current building that will provide modern sports and leisure facilities and extra community space (£124,800)

3. S106 13/05306 – Dated 30th July 2014
   Cirencester Road, Tetbury
   Dolphin's Hall Contribution - £39,000

<u>S106 12/01792 – Quercus Road</u>

1. Contribution due £359,466, payable in three tranches at certain occupations of dwellings for the purpose of improvements to Tetbury Community Hall. Monies were received from the developer, and held by CDC, as per the Agreement.
2. £179,733.00 was paid to TTC in August 2018 following the receipt of their formal request. The request refers to Dolphins Hall Management Committee's submission of a planning application for the rebuild and extension of the Hall. The email from TTC states that the *'Town Council will lead on the rebuild project and act as the banker / responsible financial body'*. Furthermore, *'that the Town Council negotiated the S106 payments on behalf of the Dolphins Hall Committee.'*

3. £180,051.28 (£179,733.00 + interest and / or indexation) was paid to TTC In December 2020 following a decision made at TTC Full Council formally to request the funds. The request states *'to be used for the purpose of improvements to Tetbury Community Hall in Tetbury. We understand that the Dolphins Recreation Centre wish to allocate these funds to Project 1 of the Redevelopment Project (Sports and Youth Building) and a Deed of Variation will be required'.* The request also confirms that TTC will request from the Dolphins Recreation Centre an audit trail to evidence how these funds have been used.

<u>S106 13/02391 – Land at Highfield Road</u>

1. Contribution due for Community Facilities £251,712 of which £124,800 was allocated for Dolphin's Hall. Funds were received by the developer, and held by CDC, as per the Agreement.
2. £137,353.21 (£124,800 + interest and / or indexation) was paid to TTC in December 2020 following a formal request by the Town Council. The request states *'the Council would like to receive the funds under the Community Facilities Contribution in relation to Dolphin Hall, providing a complete new hall to be built adjacent to the site of the current building that will provide modern sports and leisure facilities and extra community space.'*
3. The request also states, *'the approved planning decision (refers to 20/01306/FUL) Project One of the Redevelopment Project is in line with the S106 contract'.*
4. The request also confirms that TTC will request from Dolphin's Recreation Centre an audit trail to evidence how these funds have been used towards Project 1 and confirmation that the funds are committed for this part of the whole project.

<u>S106 13/05306 – Cirencester Road</u>

1. Contribution due for Dolphin's Hall £39,000.
2. Funds of £9,750 were received by CDC from the developer and paid to Tetbury TC in May 2019.
3. The Agreement does not specify how these funds should be expended. Remaining funds will be requested once the milestones (occupations) have been reached by the developer.

Observations

- TTC is a consultee for the planning applications which are discussed at their Planning and Heritage Meetings. Furthermore, TTC Full Council meetings receive updates from Dolphins Recreation Committee and discussion is had when the requests are made for the S106 Contributions.
- Requests for funds are formally requested by TTC following the Council Meetings.
- Requests summarise the work to be undertaken and state which obligation of the S106 it will be meeting.
- Requests for funds from TTC are reviewed by CDC Officers and assessed against the wording found in the various 106 Agreements (as above). Officers consider whether the requests will benefit the community by improving the community facilities and are broadly in accordance with the general principles of the particular Agreement in question. Ultimately it is for TTC to decide upon the expenditure of the contribution once received from CDC.

Conclusion

Based on our review we can confirm that Cotswold District Council has discharged its obligations appropriately as per the S106 Agreements whereby it has:

- Managed the receipt of S106 financial contributions from various developers as per the S106 Agreements.
- Received formal requests from Tetbury Town Council which state which planning application the funding will support / works that will be / have been undertaken.
- Assessed each request for S106 funding from Tetbury Town Council against the wording in the various S106 Agreements, ensuring that the request broadly meets the general principles of the S106 Agreements.

Comment

The Agreement 12/01792 (Quercus Road) states *'That in the event any contribution or any part or parts thereof are not expended within 2 years of the date of payment then the sum or sums not expended plus interest accrued will be repaid to the Owners or their nominee'.* The Agreements 13/02391 (Land at Highfield Road) and 13/05306 (Cirencester Road) contain similar wording but the spend period is 5 years. TTC need to ensure that funds are being expended as per these Agreements or risk having to repay any funds, with interest, back to the developer.

Contract Management and Monitoring – Final Report - December 2021

Audit Objective

To provide assurance that appropriate systems are in place to ensure that contracts are developed, managed, and monitored in accordance with the Council's policies and procedures.

Assurance Opinion

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Number of Actions

Priority	Number
Priority 1	0
Priority 2	0
Priority 3	0
Total	**0**

Risks Reviewed	Assessment
The Council does not follow legislative requirements or its own Procurement and Contract Rules.	Low
Ineffective contract management and monitoring arrangements leave the Council unable to deliver key services	Low

Key Findings

Robust and effective contract management and monitoring is being undertaken in accordance with the contract.

KPIs defined within the contract focus on core service delivery and reporting requirements. Evidence supports monthly meetings are undertaken where any under performance is challenged. Performance records and records of income generated are maintained.

We have revisited the agreed actions that were made in the previous procurement audit and can confirm 4 have been implemented and one is in progress.

Audit Scope

This work addressed the above objective and reviewed the controls operating in the following areas:

- Development of contracts including legal review
- Variation to contracts
- Management and monitoring of contracts

The contract for the cleaning and maintenance of public conveniences was selected for review.

A virtual meeting with the Contract Manager and evidence provided has helped to inform the assurance opinion.

Testing undertaken has assessed the effectiveness of processes operating.

We also followed up recommendations from our previous Procurement & Contract Management audits.

Observations

Review of a contract that covered all 4 Publica councils found strong controls were operating. Changes may be required to the procurement approach due to the company being acquired by another. Publica officers will ensure the finding is actioned accordingly.
Assurance has been offered over the controls that the service area(s) have in place for the Danfo Uk Contract and the contract that covers 4 Publica Councils only. Absolute assurance cannot be provided in any audit and therefore undertaking a further audit of other Council contracts may provide additional assurances.

High Priority Findings and Agreed Actions APPENDIX D

Audit Name	Priority	Finding	Agreed Action(s)	Due Date / Rev Date	Resp Officer	Update January 2022
Risk Management 45972	2	Sufficient Training, Support and Guidance should be provided to Managers.	1. Obtain approval of the updated Risk Management Policy. 2. The Risk Officer now attends Quarterly Management Meetings to increase visibility and discussion around Risk Management. 3. Review and issue management guidance on Risk Management with the new template. 4. Follow up with Training workshops on Risk Management Processes and 'how-to's' to encourage participation.	Oct 2021 Ongoing Oct 2021 Oct 2021	Business Manager – Corporate Responsibility	This will be reviewed in the follow-up audit
Risk Management 45973	2	Universal Risk Register Templates are to be issued, with consideration of dedicated Risk Management Tooling.	1. Implement the agreed new template across all Service Areas. 2. Consider the use of existing, or purchase of new Risk Management software. 3. If appropriate, feed into the Training and Guidance programme.	Oct 2021 Oct 2021 Oct 2021	Business Manager – Corporate Responsibility	This will be reviewed in the follow-up audit
Fire Risk Assessments 45890	2	The Fire Risk Assessments Work Schedule supplied (June 2021) is incomplete, outdated and actions are not SMART. Not all recommendations made by Corinium Fire Safety Consultancy in the Fire Risk Assessments were identified in the Work Schedule.	We will review and update the Fire Risk Assessments Work Schedule to ensure it is accurate, current, and actions are SMART. We will ensure the progress of all recommended actions can be easily tracked to completion	Dec 2021	Interim Joint Operations Manager	

High Priority Findings and Agreed Actions APPENDIX D

Audit Name	Priority	Finding	Agreed Action(s)	Due Date / Rev Date	Resp Officer	Update January 2022
Emergency Planning 46168	2	Statutory responsibilities are not clearly defined.	We will; • review the agreements between Publica and the Councils •clearly define roles and responsibilities and ensure the wording in the Constitutions is clear and not subject to interpretation. Any changes will be approved by Members.	Dec 2021	Business Manager – Corporate Responsibility	
Emergency Planning 46080	2	Gold Commanders have not undertaken training in the last 3 years.	We will introduce a training schedule to ensure all officers and members undertake regular training, as appropriate to their roles.	Dec 2021	Business Manager – Corporate Responsibility	
Emergency Planning 46119	2	No guidance for the use of Emergency Response WhatsApp groups.	We will liaise with the Counter Fraud Unit and ensure the Social Media Policy and guidance for WhatsApp use is provided to all emergency response officers. This guidance will ensure officers share information relating to emergency incidents securely, and chats are removed from personal devices when necessary.	Dec 2021	Business Manager – Corporate Responsibility	
Systems Admin 45115	2	Previous Recommendations not implemented		Jan 2022	ICT Audit and Compliance Manager	
Systems Admin 45236	2	Some controls not as robust as expected		Jan 2022	ICT Audit and Compliance Manager	

High Priority Findings and Agreed Actions APPENDIX D

Audit Name	Priority	Finding	Agreed Action(s)	Due Date / Rev Date	Resp Officer	Update January 2022
Accounts Payable 45450	2	Amendments to supplier accounts cannot be monitored.	We will contact Publica Business World On System Support & Maintenance to investigate how we can monitor amendments made to supplier accounts, and we will monitor account amendments weekly.	Sept 2021	AP Team Leader	This will be followed up during the annual Accounts Payable audit.
Human Resources 45249	2	Third parties and/or temporary staff working for or on behalf of the Council are not required to carry out mandatory training modules	Consideration will be given to providing access to individuals with access to the Publica/Council network and/or working on Publica/Council premises with access to mandatory training via the current e-learning systems in place, including temporary agency staff, external partnership workers and Members.	Mar 2022	Business Manager - HR	
Human Resources 45287	2	The Publica Learning and Development Guidance and associated forms (Training Brief form and Learning Contract) have not been fully approved by relevant Employee Trade Unions.	The Publica Learning and Development Guidance and associated forms will be submitted for review and approval by Employee Trade Unions, and upon approval will be submitted for formal adoption by Publica.	~~Sept 2021~~ Nov 2021	Business Manager - HR	Revised Implementation Date

High Priority Findings and Agreed Actions APPENDIX D

Audit Name	Priority	Finding	Agreed Action(s)	Due Date / Rev Date	Resp Officer	Update January 2022
Council Tax and NNDR 44610	2	The Revenues Technical Lead reviews suppressed accounts but is also able to add suppressions to accounts. Ensuring there is separation of duties reduces the risk of accounts being suppressed and not checked.	To ensure there is separation of duties, the Revenues Technical Lead should have his suppression permissions removed.	Mar 2021	Business Manager – Operational Services	Discussed with Revenues and Benefits Manager as part of the 21/22 Audit. He advised (as per previous updates) the lead Officers need to be able to suppress accounts as part of operational activities. There's always the chance (should anything be wrong) that other officers will detect any issues, and this is a deterrent of individual wrong-doing. Action closed as risk accepted.
Housing Benefits and Council Tax Support 44592	2	At the time of audit work the Business Partner Accountant advised that due to the increased workload brought about by Covid-19, reconciliation of Housing Benefit has not been undertaken so far during this financial year.	It was confirmed that it will be undertaken as soon as workloads allow.	~~Jan 2021~~ Mar 2022	Business Partner Accountant	This recommendation was followed up during the 21/22 Audit.The Chief Accountant responded as follows:"We are currently working on the reconciliations to the GL and will forward when they are complete by the end of the weekUsually the reconciliation of Housing Benefit payments is done at year end but as I now have a replacement Accountant in post I will probably ask him to reconcile Benefit payments once before the end of the calendar year and then again at year end which I shall be happy to share with you."Agreed to extend the recommendation to the year end to ensure this is done.

High Priority Findings and Agreed Actions APPENDIX D

Audit Name	Priority	Finding	Agreed Action(s)	Due Date / Rev Date	Resp Officer	Update January 2022
ICT Business Continuity 44816	2	The current Service Level Business Continuity Plans (BCP) lack sufficient information and detail of the steps to taken by teams should the critical functions identified within them suffer a serious disruption by the extended loss of the ICT service due to and for example a significant ransomware attack.	New templates will be devised, to include: - A comprehensive Business Impact Analysis identifying the critical functions. - Documented detailed action plans to consider the extended loss of ICT service.	~~May 2021~~ Jan 2022	ICT Audit and Compliance Manager	The BCP templates were issued to Business Managers during May 21, with an action for completion, and to include impact analysis and actions to be taken following the loss of ICT. There is a Steering Group meeting to be held on 14 September, where the respective BCPs will be reviewed prior to being finalised. Templates are being re-worked by teams. Deadline for the submission of completed BCPs is October 2021. Revised implementation date to allow for review of the completed BCPs.
ICT Incident Management 44560	2	As part of the Information Security framework of policies, the Incident Management Policy is out of date and requires review, update, and approval. Update of the policies has been impacted by the Covid-19 pandemic, and the need for a review is recognised by the ICT Audit & Compliance Manager.	ICT Audit and Compliance Manager will review and update all ICT Security Policies following the completion of the Cyber Security audit report. The aim to have drafted policies by April 2021 for circulation to all network users.	~~Apr 2021~~ Mar 2022	ICT Audit and Compliance Manager	The refresh and update of all ICT Policies is in progress and will be subject to consultation. Revised implementation date
ICT Incident Management 44562	2	There is a lack of detailed standard operating procedural documentation. Incident management investigation is currently based on a high-level process flow-chart denoted in the Incident Management policy; however, this lacks detailed information on how to conduct an incident investigation.	We have now commenced with documenting our cyber incident and investigation managements procedures	Jan 2022	ICT Audit and Compliance Manager	Ongoing The ICT Audit and Compliance Manager is working with the Security Engineer on an incident playbook that define the procedures and steps to be taken during an incident investigation. On target for completion by January 2022. Will be reviewed in the Vulnerability Management audit

High Priority Findings and Agreed Actions APPENDIX D

Audit Name	Priority	Finding	Agreed Action(s)	Due Date / Rev Date	Resp Officer	Update January 2022
Council Tax and NNDR 43345	2	Periodic review (quarterly) of accounts in credit should be undertaken and action taken to return monies that are not due to the Council. These actions must be documented on customer accounts to provide an audit trail. Where monies are unable to be refunded, appropriate accounting actions must be undertaken to remove the credit value from the CT / NNDR system.	Putting into place a periodic report of credit accounts to be followed up by Revenues Officers	~~Mar 2020~~ Dec 2021	Business Manager – Operational Services	The Revs Operational Lead has confirmed and provided evidence this recommendation is being addressed by 2 members of the wider team. Agreed Action Completed

Summary of all Agreed Actions from April 2019 and Progress against them

CDC ONLY	Priority			
	1	2	3	Total
TOTAL in Audit Period (From 4/19)	0	0	4	4
Open and current	0	0	0	0
Open and Outstanding/Overdue Subject to follow up	0	0	0	0
Open with date extended	0	0	0	0
Closed	0	0	4	4

PUB ONLY	Priority			
	1	2	3	Total
TOTAL in Audit Period (From 4/19)	0	25	27	52
Open and current	0	8	6	14
Open and Outstanding/Overdue Subject to follow up	0	1	5	6
Open with date extended	0	6	3	9
Closed	0	10	13	23

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COTSWOLD
DISTRICT COUNCIL

Council name	**COTSWOLD DISTRICT COUNCIL**
Name and date of Committee	**AUDIT COMMITTEE – 27TH JANUARY 2022**
Report Number	**AGENDA ITEM 8**
Subject	**AGED DEBTOR ANALYSIS**
Wards affected	N/A
Accountable member	Cllr Mike Evemy, Cabinet Member for Finance Email: mike.evemy@cotswold.gov.uk
Accountable officer	Michelle Burge, Chief Accountant Email: jenny.poole@cotswold.gov.uk
Summary/Purpose	To receive and consider the Council's Aged Debt Analysis
Annexes	Annex A – Sundry Debtor Aged Debt Profile (5 Years) Annex B – Sundry Debtor Aged Debt Profile by Service (13 January 2022) Annex C – Write off Policy Annex D – Revenues and Benefits Write off Policy
Recommendation(s)	*The Audit Committee are asked to consider with appropriate comment, the levels of aged debt held.*
Corporate priorities	The Council's recovery of debt underpins all of the Council Priorities and is relevant to the Council principle of "Value for money – we will use the council's resources wisely, but will invest in the fabric and future of the district".
Key Decision	NO
Exempt	NO
Consultees/ Consultation	N/A

COTSWOLD
DISTRICT COUNCIL

1. BACKGROUND

1.1 At the July Audit Committee meeting Members requested an update in respect of the levels of aged debt held within the Council's accounts. The first aged debt report covering the position on sundry debts was presented to the October Audit Committee, where Members requested that the analysis was updated to also include non-invoiced debtors such as Council Tax, Business Rates and the recovery on non-invoiced housing benefit overpayments. This report provides an updated aged debt position as at January 2022 including non-invoiced debt.

1.2 As we enter the recovery stage of the Covid-19 pandemic, the Council is actively working to recover outstanding debts arising from the period during the pandemic when they purposely did not pursue it. This was to ensure that businesses and people were not disadvantaged during the period of lockdown when business were closed and at a time when many individuals were furloughed.

1.3 At 31 March 2021 the outstanding sundry debtors totalled £2.245m. This included debt requiring action (i.e. debtors older than 30 days) of £1.059m. Over the course of the last nine months this level has reduced, at 13 January 2022 outstanding sundry debtors totalled £1.906m. Aged debt requiring action reduced by £0.196m to £0.863m in October 2021 although this had risen at 13 January 2022 to £1.280m due to a small number of large invoices as outlined in Section 2.

1.4 Non invoiced debtors including Housing Benefit overpayments recovered from ongoing benefit, Council tax and Business Rates have also reduced since 31 March 2021 as outlined in Sections 3 and 4 of this report. This was as a result of monitoring and proactive recovery action undertaken following the easing of lockdown restrictions. £1.6m of Council tax and £0.8m of Business Rates in relation to prior years has been recovered since 31 March 2021.

2. SUNDRY DEBTOR AGED PROFILE

2.1 As at 13 January 2022 there were 827 sundry debt invoices outstanding with a value of £1.905m (an average balance of £2,304). The total aged debt profile for sundry debtors over the last five years can be seen at Annex A.

2.2 Annex B summarises the current aged debt profile by service.

2.3 Table 1 below summarises the total sundry debtors older than 30 days.

Table 1 Sundry Debtors > 30 days

Date	Rent Allowance (3) £	Excluding Rent Allowance £	Total Debtors > 30 days £
31/03/2018	759,935	243,142	1,003,077
31/03/2019	780,569	379,460	1,160,029
31/03/2020	668,711	48,828	717,539
31/03/2021	586,373	472,535	1,058,908
08/10/2021	542,540	320,260 **(2)**	862,800
13/01/2022	527,959	751,680 **(1)(2)**	1,279,639

(1) The balance at 13 January 2021 includes the recovery of £110k of Covid-19 business grants (£134k at 08/10/2021).
(2) Sundry Debtors >30 days at 13 January 2022 includes 13 debtors totalling £537k (26 debtors totalling £237k at 8/10/21) where the debtor is overdue by 1-3 months.
(3) From 2019/20 housing benefit overpayments recovered from claimants in receipt of housing benefit is recovered through ongoing benefit rather than invoiced via the Accounts Receivable system. This amounted to £156k at 31 March 2020, £200k at 31 March 2021 and £153k in January 2022.

2.4 Debtors requiring action (over 30 days) increased by £417k to £1.280m at 13 January 2022, 94 per cent of the increase from the position previously reported at the 8 October 2021 can be accounted for by just five invoices totalling £392k as shown in table 2 below. The Accountancy invoice of £256,364 was paid on the 14 January 2022 and the remaining 4 items totalling £135k will be investigated further in the final quarter of 2021/22 and proactive action taken as necessary to reduce the overall aged debtor balance.

Table 2 Increase in Sundry Debtors >30 days from 8/10/21

Service	Amount £	Age/Recovery Stage	No of Invoices
Accountancy	256,364 (1)	1-3 Months	1
Leisure Management	25,623	Halted Recovery	1
Rent Allowances	11,100	Legal	1
Creditors	73,621	1-3 Months	1
Household Waste	25,064	1-3 Months	1
TOTAL	**391,772**		**5**

(1) This invoice is no longer outstanding and was paid on the 14 January 2022

2.5 In order to ensure that the Council adopts a prudent approach to accounting for debt that might not be due, a "provision for doubtful debts" is made against the year-end balance. The value of this provision for 2020/21 for sundry debtors was £625,575 and will be revised as part of the 2021/22 final accounts process.

3. HOUSING BENEFIT RECOVERED FROM ONGOING BENEFIT

3.1 From 2019/20 overpayments recovered from claimants in receipt of housing benefit has been recovered through ongoing housing benefit rather than invoiced via the Accounts Receivable system. This amounted to £156k at 31/3/20, £200k at 31/3/21 and £153k at 14/1/22. Housing benefit debtors are recovered over a long period of time as housing benefit claimants are unlikely to be able to afford to repay in a lump sum.

3.2 The Council are now only responsible for administering pension and complex cases with responsibility for other claims transferred to the DWP. The Council continue to be responsible for collecting existing debt prior to 2019/20 and any new overpayment debt related to pensioners or any more complex claims.

4. COUNCIL TAX AND BUSINESS RATES

4.1 Tables 3 and 4 below highlight the significant increase in both outstanding Council tax and Business rates at the 31 March 2021 when compared to 31 March 2020. Council tax outstanding increased by almost £2m whilst Business Rates outstanding increased by almost £1.2m.

4.2 Formal (statutory) recovery was suspended on all debts during the pandemic. Soft reminder letters was sent to residents/businesses during this period as well as proactive telephone calls to obtain payments. Courts restarted their hearings in early 2021 and the recovery process commenced. Officers are currently catching up on reminder and final reminder runs, as well as offering support where possible to those struggling with debt. Collection for 2021/22 is on target, but officers are not being complacent, and monitoring on a weekly basis.

4.3 **Table 3** below shows reduction in level of outstanding Council tax compared to position at 31 March 2021. 90% of Council tax arrears is recovered within three years and 97% is recovered over a 5 year period. The total amount recovered since 31 March 2021 includes £57k of council tax written off.

Table 3 reduction in level of outstanding Council tax

Council Tax	**Outstanding 31/3/20 £**	**Outstanding 31/3/21 £**	**Outstanding 12/1/22 £**	**Recovered since 31/3/21**
Prior Years	126,485	111,759	73,269	38,490
2016/17	65,645	56,873	43,524	13,349
2017/18	149,388	123,307	94,800	28,507
2018/19	385,396	274,951	169,560	105,391
2019/20	1,161,567	654,281	410,495	243,786
2020/21	-	2,646,461	1,473,466	1,172,995
TOTAL	**1,888,481**	**3,867,632**	**2,265,114**	**1,602,518**

*Excludes Council tax bills raised in current financial year (2021/22)

4.4 **Table 4** below shows reduction in level of outstanding Business Rates compared to position at 31 March 2021. The total amount recovered since 31 March 2021 includes £9k of business rates written off.

Table 4 reduction in level of outstanding Business Rates

Business Rate	**Outstanding 31/3/20 £**	**Outstanding 31/3/21 £**	**Outstanding 12/1/22 £**	**Recovered since 31/3/21**
Prior Years	37,068	40,989	26,390	14,599
2016/17	133,337	125,089	117,782	7,307
2017/18	142,358	138,105	128,760	9,345
2018/19	184,814	154,255	121,110	33,145
2019/20	792,951	542,679	444,538	98,141
2020/21	-	1,447,162	772,717	674,445
TOTAL	**1,290,528**	**2,448,279**	**1,611,297**	**836,982**

*Excludes Business rate bills raised in current financial year (2021/22)

COTSWOLD DISTRICT COUNCIL

5. **DEBT RECOVERY PROCESS**

5.1 The current process for debt recovery involves an automated approach being followed for the first two months, with the system generating standardised reminder letters to the relevant debtors. At the end of this process, as the debt becomes 3 months old, the relevant service area is required to actively chase the debt through phone calls and further correspondence or instruct the Accounts Receivable team to take further action including referral to legal or establishing a payment plan.

5.2 Housing Benefit debtors (which make up 41 per cent of the current invoiced debtors requiring action) are actively chased by the Benefit recovery team.

5.3 Officers within Estates have worked proactively throughout the pandemic with commercial property tenants to agree payment plans without any reduction in rent payable. This has resulted in a debtors older than 30 days reducing from £0.079m at 31 March 2021 to £0.020m at 13 January 2022.

5.4 The aged debt position is monitored on a monthly basis with reports provided to both budget holders and the finance team. The aged debt position will continue to be monitored closely on a monthly basis to ensure proactive action is taken where necessary.

5.5 The Write off policy is included as **Annex C** to this report. Write offs are only approved when all other avenues have been exhausted. Write offs in excess of £5,000 require both S151 Officer and Cabinet approval.

5.6 A separate recovery policy is in place for Revenues and Benefits, the write off policy from this policy is included as **Annex D** to this report. Write offs in excess of £5,000 also require both S151 Officer and Cabinet approval.

6. LEGAL IMPLICATIONS

6.1 There are no legal implications arising from this report.

7. RISK ASSESSMENT

7.1 Failure to take the necessary corrective action in relation to aged debt may result in the Council having to write off significant balances which are not covered by existing bad debt provisions.

8. CLIMATE CHANGE IMPLICATIONS

8.1 None directly arising from this report.

9. BACKGROUND PAPERS

9.1 None

(END)

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Annex A – Sundry Debtor Aged Debt Profile (5 Years)

Date	Total Outstanding Sundry Debtors	Total No	Not due	0-30 days	1-3 Mths	3-6 Mths	6 mth - 1 Yr	1 - 2 Yrs	2 Yrs+	Invoices with halted recover	Invoices in paymen t plan	Invoices with legal	Invoices for Write off (**)	Invoices awaiting credit notes	Customer Credits (****)	Total £
	£		£	£	£	£	£	£	£	£	£	£	£	£	£	£
31/03/2018	1,730,635	1,035	307,258	420,300	174,534	159,399	4,232	6,128	11,883	157,359	526,885	123,781	0	2,121	-163,245	1,730,635
31/03/2019	1,851,567	940	296,616	394,919	20,514	341,550	17,258	5,913	8,479	207,481	514,869	69,656	0	0	-25,691	1,851,564
31/03/2020	1,496,508	829	410,402	368,567	4,621	8,287	30,388	74,728	71,436	67,372	368,659	98,541	142	0	-6,635	1,496,508
31/03/2021	2,245,432	814	894,167	292,355	187,705	95,894	37,414	53,582	86,364	204,623	367,624	131,796	8,109	2,154	-116,357	2,245,430
08/10/2021	1,950,075	793	213,755	873,520	237,120	3,203	61,550	15,615	126,191	68,521	363,420	103,618	5,067	0	-121,505	1,950,075
13/01/2022	1,905,621	827	122,251	503,735	375,438	258,048	46,504	15,614	123,087	111,429	317,869	151,701	4,445	0	-124,499	1,905,621

Excludes Council Tax, NNDR and Housing Benefit non invoiced debtors.

* **Value of Invoices with Halted Recovery** – invoices where recovery is halted for example, a disputed service, or the customer has requested more time to pay.

** **Value of Invoices for Write Off** - invoices have been proposed for write off but are awaiting submission to or approval by the S151 Officer or Finance Manager

*** **Value of Invoices Awaiting Credit Note** - credit notes need to be authorised by the relevant service area on Agresso. Until they are authorised and matched off, the invoices remain outstanding

**** **Customer Credits** - accounts where customers have paid in advance of an invoice, in error, or where credit notes have been raised and a refund is due back to the customer

Annex B - Sundry Debtor Aged Debt Profile By Service 13/01/22

	Total Outstanding Sundry Debtors	Total Number	Not due	0-30 days	1-3 Mths	3-6 Mths	6 mth -	1 - 2 Yrs	2 Yrs+	Invoices with halted recover	Invoices in payment plan	Invoices with legal	Invoices for Write off (**)	Invoices awaiting credit notes	Customer Credits (****)
By Service 13/01/22	£		£	£	£	£	£	£	£	£	£	£	£	£	£
Environmental and Regulatory															
Building Control	3,440	5	1,654	630	144	0	0	757	0	255	0	0	0	0	0
Licensing	4,715	23	1,080	315	230	0	0	0	0	413	605	2,000	73	0	0
Environmental Protection	6,269	25	0	1,544	823	143	1,910	1,499	0	0	0	349	0	0	0
Food Safety	2,569	3	2,353	0	0	0	0	216	0	0	0	0	0	0	0
Public Conveniences	16	1	0	16	0	0	0	0	0	0	0	0	0	0	0
Abandoned Vehicles	786	3	0	0	0	0	0	0	0	0	0	786	0	0	0
Finance, HR and ICT															
Accountancy	256,364	1	0	0	256,364	0	0	0	0	0	0	0	0	0	0
Creditors	116,195	2	0	0	73,622	0	42,573	0	0	0	0	0	0	0	0
ICT	500	1	0	500	0	0	0	0	0	0	0	0	0	0	0
Street Naming	1,700	4	450	1,250	0	0	0	0	0	0	0	0	0	0	0
Land, Legal and Property															
Asset Management	22,792	28	600	1,336	31	17,144	559	349	0	0	2,772	0	0	0	0
Legal	17,193	9	600	0	0	0	0	0	0	16,229	0	364	0	0	0
Revenues															
Rent Allowances	527,959	506	0	0	0	20	515	1,086	122,500	55,024	275,700	73,113	0	0	0
Homelessness	7,922	8	0	0	0	0	0	0	0	0	750	7,172	0	0	0
Council Tax Collection	77,901	2	0	77,902	0	0	0	0	0	0	0	0	0	0	0
Revenues - Business Grants															
Business Lockdown Grants	51,747	10	0	4,000	1,000	16,729	0	0	0	12,573	17,445	0	0	0	0
NNDR Collection - Business Grants	61,900	5	0	0	0	0	0	3,901	0	0	0	58,000	0	0	0

	Total Outstanding Sundry Debtors	Total Number	Not due	0-30 days	1-3 Mths	3-6 Mths	6 mth -	1 - 2 Yrs	2 Yrs+	Invoices with halted recover	Invoices in payment plan	Invoices with legal	Invoices for Write off (**)	Invoices awaiting credit notes	Customer Credits (****)
Environmental Services															
Car Parks	1,997	4	479	1,125	809	0	0	0	0	0	0	0	0	0	-416
Cemetry, Crematorium and Churchyard	1,430	1	0	1,430	0	0	0	0	0	0	0	0	0	0	0
Public Conveniences	17	1	0	17	0	0	0	0	0	0	0	0	0	0	0
Recycling	224,531	7	0	224,531	0	53,461	0	0	0	0	0	0	0	0	-53,461
Green Waste	23,881	4	0	0	0	23,641	240	0	0	0	0	0	0	0	0
Refuse/Recycling Organic and Food Waste	89,763	21	17,538	39,976	0	75,750	0	7,806	0	0	0	0	0	0	-51,307
Household Waste	51,214	2	0	0	25,064	26,150	0	0	0	0	0	0	0	0	0
Leisure and Communities															
Leisure Management	64,590	4	38,434	534	0	0	0	0	0	25,622	0	0	0	0	0
Tourism	7,363	23	0	302	1,365	0	0	0	587	119	617	0	4,372	0	0
Planning and Housing															
Development Management - Appeals	9,850	1	0	0	0	0	0	0	0	0	0	9,850	0	0	0
Heritage and Design	2,544	3	0	2,544	0	0	0	0	0	0	0	0	0	0	0
Democratic and Committee															
Elections	40,253	2	39,933	320	0	0	0	0	0	0	0	0	0	0	0
Printing	2,124	13	1,830	280	0	0	128	0	0	0	0	0	0	0	-113
Retained and Corporate															
Corporate Management	21,225	1	0	21,225	0	0	0	0	0	0	0	0	0	0	0
Commercial Property	75,164	36	17,300	37,854	0	1,523	578		0	317	17,525	67	0	0	0
NHS Test and Trace Grants	12,455	29	0	1,500	5,000	3,500	0	0	0	0	2,455	0	0	0	0
Counter Fraud	2,183	3	0	91	975	1,118	0	0	0	0	0	0	0	0	0
Balance Sheet	115,068	36	0	84,513	10,012	38,869	0	0	0	877	0	0	0	0	-19,202
TOTAL	**1,905,621**	**827**	**122,251**	**503,735**	**375,438**	**258,048**	**46,504**	**15,614**	**123,087**	**111,429**	**317,869**	**151,701**	**4,445**	**0**	**-124,499**

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Annex C

Extract from Cotswold DC Financial Rules

I9 Write off of unrecoverable Debts

I9.1 The limits on the Council to write off individual debts are:-

- The Section 151 Officer can write off any debt for which a bankruptcy or liquidation notice has been received.

- The Section 151 Officer can write off any debt of a deceased person who has a nil estate.

- The Section 151 Officer can write off any other individual debt to a maximum amount of £5,000, where the amount is unlikely to be recovered or where proceedings are inappropriate or unjustified. This authority cannot be delegated.

- All other individual debts, in excess of £5,000 can only be written off with the approval of Cabinet or other delegated Committee.

I9.2 The value of unrecoverable debts written off will be charged back against the cost centre / service from which the original invoice was raised, thus canceling the original credit to the service. This can be overwritten in exceptional circumstances, with the approval of the Section 151 Officer.

I9.3 A record will be maintained by the Section 151 Officer of all bad debts written off under delegated approval given by Financial Rules above.

I9.4 The Section 151 Officer can delegate the waiving of standard off-street car park charge notices to the Publica Group Manager responsible for Car Parking, who shall maintain records detailing the reason and amounts waived. This authority cannot be delegated further. The number and value of waivers is to be reported to the Section 151 Officer and the Cabinet Member on a quarterly basis.

I9 Write off of unrecoverable Debts

I9.1 The limits on the Council to write off individual debts are:-

- The Section 151 Officer can write off any debt for which a bankruptcy or liquidation notice has been received.

- The Section 151 Officer can write off any debt of a deceased person who has a nil estate.

- The Section 151 Officer can write off any other individual debt to a maximum amount of £5,000, where the amount is unlikely to be recovered or where proceedings are inappropriate or unjustified. This authority cannot be delegated.

- All other individual debts, in excess of £5,000 can only be written off with the approval of Cabinet or other delegated Committee.

I9.2 The value of unrecoverable debts written off will be charged back against the cost centre / service from which the original invoice was raised, thus canceling the original credit to the

service. This can be overwritten in exceptional circumstances, with the approval of the Section 151 Officer.

I9.3 A record will be maintained by the Section 151 Officer of all bad debts written off under delegated approval given by Financial Rules above.

I9.4 The Section 151 Officer can delegate the waiving of standard off-street car park charge notices to the Publica Group Manager responsible for Car Parking, who shall maintain records detailing the reason and amounts waived. This authority cannot be delegated further. The number and value of waivers is to be reported to the Section 151 Officer and the Cabinet Member on a quarterly basis.

Annex D

Extract from CDC Revenues and Benefits Recovery Policy (Council Tax and NNDR)

Appendix 7

Write-offs

An integral part of debt recovery is the effective management of irrecoverable debts to ensure that resources are applied efficiently to the collection of monies outstanding which can reasonably be expected to be collected.

It is good practise to identify and write off irrecoverable debts. This enables the Council to use resources to their maximum benefit.

Policy Aims

1. There are consistent guidelines and procedures to follow
2. Provide a framework to write off debts once every possible recovery process has been exhausted
3. Strike a balance between protecting the Council's financial position and making sure anti-poverty issues are addressed
4. Write offs are carried out in accordance with the Council's Constitution and Financial Rules

Policy

Debts will normally only be considered for write off where the account is closed and there are no recurring debts. Only in exceptional circumstances will amounts on live accounts be considered where there is on-going accruing debt. Such cases must demonstrate that further recovery action will not achieve collection of the debt.

It is not possible to list every scenario which could make a debt suitable for write off. However, the following shows the main reasons why debts become irrecoverable and where approval for write off should be sought:

Reason for Write off	**Delegated authorisation approval by S151 Officer**	**Authorisation Approval by Cabinet**
Absconded and/or No Trace: All reasonable attempts to find debtor have failed.	£5,000 and below	£5,001 and above

Deceased: Insufficient or no funds in the Deceased's estate to pay the amount outstanding	S151 Officer	
Debt 'out of time' and/or too old to recover: Debts over 6 years old where a liability order has not been granted (council tax and NDR), or no contact has been made and no payments have been received; in accordance with the Limitations Act 1980, as amended. However for certain Sundry Debts there may be exemptions to this rule and officers should consult Legal Services where they believe the debt is no longer enforceable by virtue of the Limitations Act 1980.	£5,000 and below	£5,001 and above
Uneconomical to pursue/pursue further: When all recovery processes have been tried or considered or the cost of proceedings would be prohibitive.	£5,000 and below	£5,001 and above
Hardship: Each case taken on its own merits	£5,000 and below	£5,001 and above
Debt remitted by Court: Magistrates have remitted the debt.	S151 Officer	n/a
Bankrupt: The debtor is declared bankrupt and sums due as at the date of bankruptcy cannot be recovered.	S151 Officer	n/a
Debt Relief Order (DRO) The debt is included in the DRO and cannot be recovered.	S151 Officer	n/a
Company in Liquidation/Wound Up/Dissolved/Struck Off: The debtor is a Limited Company. The Company no longer exists as a legal entity and there is no means of recovering the debt.	S151 Officer	n/a

COTSWOLD
DISTRICT COUNCIL

Council name	**COTSWOLD DISTRICT COUNCIL**
Name and date of Committee	**AUDIT COMMITTEE – 27 JANUARY 2022**
Report Number	**AGENDA ITEM 10**
Subject	**CORPORATE RISK REGISTER UPDATE**
Wards affected	All
Accountable member	Cllr Joe Harris, Leader Email: joe.harris@cotswold.gov.uk
Accountable officer	Rob Weaver, Chief Executive Email: rob.weaver@cotswold.gov.uk
Summary/Purpose	To update the Committee on the changes to the Council's corporate risk register at the end of 2021/22 Q3
Annexes	Annex A Corporate Risk Register 2021/22 Q3
Recommendation(s)	*To note the updates to the Council's corporate risk register*
Corporate priorities	Not Applicable
Key Decision	NO
Exempt	NO
Consultees/ Consultation	None

COTSWOLD
DISTRICT COUNCIL

1. BACKGROUND

1.1 The Corporate Risk Register was updated by the risk owners at the end of Q3 and is attached at Annex A.

2. RISK REGISTER

2.1 At the last meeting, Members asked to see the intended format for showing opportunities. Although no opportunities have been raised at this time, the proposed format is shown at the end of the register.

2.2 The main changes to the register are:

2.3 CRR-019, CRR-029 and CRR-030: Risks removed, these were concerned with the delivery of services provided by the two main Contractors (Waste & Recycling and Leisure). These were considered to be too broad and showed the management controls already in place. These have been rewritten and appear below.

2.4 CRR-033 (If 'Leisure' contractor does not meet their obligations under key contracts) and CRR-034 (If 'Waste' contractor does not meet their obligations under key contracts): New risks surrounding the delivery of services as part of these large contracts. The main focus is how the these services will continue to be delivered following the Coronavirus pandemic or if there is further disruption due to new variants of Covid-19.

2.5 CRR-013 Sufficient capacity to respond to an emergency: Risk removed. A number of staff have volunteered and are being trained in acting during an emergency. With an additional pool of staff available, this is no longer considered to be a corporate risk will continue to be monitored as an operational risks.

2.6 CRR-014 If the Council's buildings were destroyed, it would be unable to deliver services: Risk removed. Now managed to a level where it is no longer regarded as a corporate risk but continues to be monitored. The Publica 'Audit and Risk Assurance Committee' receives an annual report on Business Continuity.

2.7 CRR-023 A civil emergency could result on a financial burden on the Council: Risk Removed. Sufficient controls are in place to mitigate the financial impact.

3. FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications of this report but there are a number of financial risks facing the Council which are set out in the risk register.

COTSWOLD
DISTRICT COUNCIL

4. **LEGAL IMPLICATIONS**

4.1 None

5. **RISK ASSESSMENT**

5.1 The purpose of this report is to consider the range of risks facing the Council.

6. **BACKGROUND PAPERS**

6.1 The following documents have been identified by the author of the report in accordance with section 100D.5(a) of the Local Government Act 1972 and are listed in accordance with section 100 D.1(a) for inspection by members of the public:

- Previous version of Strategic Risk Register.

These documents will be available for inspection at the Council Offices at Trinity Road, Cirencester, GL7 1PX during normal office hours for a period of up to 4 years from the date of the meeting. Please contact democratic services via democratic@cotswold.gov.uk

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Cotswold District Council - Corporate Risk Register

Overarching strategic risks													
Risk ID	Description of Risk/Opportunity	Initial Risk Assessment			Existing Control, Mitigation or Contigency	Previous Residual Risk Score			Residual Risk Assessment			Direction of Travel	Risk Response & Further Action
		impact	likelihood	score		impact	likelihood	score	impact	likelihood	score		
CRR-016	If the government does not provide timely and adequate guidance on the proposed changes to the planning system then the Council will be unable to identify the type of Local Plan update that is required. Delays to preparing an updated Local Plan may result in an increase of speculative planning applications on the fifth anniversary of the local plan's adoption (2023). Risk Logged: April 2008 Risk Owner: Chief Executive Responsible Officer: Publica Business Manager for Localities	4	4	**16**	• Local Plan Adopted in Aug 2018. • Local Plan Programme Board reconvened with updated Terms of Reference and membership * Cabinet approved Local Development Scheme in 2021, which confirms LP update key milestones and estimated delivery date.	3	1	**15**	3	5	**15**	→	08-June-2021 (remains relevant at Jan 2022) Partial update of Local Plan has restarted. However, the Governement announced in May 2021 (via the Queen's Speech) its intention to publish a Planning Bill in the autumn 2021 and carry forward many of the proposed changes suggested by its white paper. The exact details are unknown at this stage but suggested changes are not comparable (in terms of scale and fundamentals) with recent updates and it will have a notable impact on the town planning profession and the Council's statutory duties. The Council's approach to partially updating the Local Plan (rather than a full update) is finely balanced but it continues to offer the most expeditious route to deliver Corporate Strategy actions. This position will need to be reviewed in light of the eventual Planning Bill. 21-Apr-2021 Risk of speculative applications has reduced in the short term. Forthcoming request will be made to Cabinet to reboot the partial update of the local plan project

Cotswold District Council - Corporate Risk Register

Financial management & control													
Risk ID	Description of Risk/Opportunity	Initial Risk Assessment			Existing Control, Mitigation or Contigency	Previous Residual Risk Score			Residual Risk Assessment			Direction of Travel	Risk Response & Further Action
		impact	likelihood	score		impact	likelihood	score	impact	likelihood	score		
CRR-014	If the Government imposes legislative changes that are not expected then it could have an impact on the Council's finances and other resources. Risk logged: April 2015 Risk Owner: S.151 Officer Responsible Officer: S.151 Officer	4	4	16	• Horizon scanning • Professional publications • Four year funding settlement	3	5	15	3	5	15	→	9-June-2021 (remains relevant at Dec 2021) The Council continues to respond to the Government's requirements of local authorities to implement initiatives related to Covid-19. The Government has provided some funding for additional costs and lost income for 2021/22. Officers are reviewing Government consultation on the Environment Bill and are drafting a response setting out the implications of the proposals both operational and financial. The financial implications could be significant e.g. provision of a free garden waste collection service for all residents. If new burdens funding linked with the Environment Bill is not sufficent to offset additional costs of collection and lost income the impact will fall upon the Council
CRR-019	If there are insufficient resources to deliver the objectives of the new Corporate Strategy and Plan then the expectations of our communities may not be met resulting in lower satisfaction and reputational damage. Risk logged: August 2014 Risk Owner: S.151 Officer Responsible Officer: S.151 Officer	3	3	9	Medium Term Financial Strategy	3	3	9	3	3	9	→	9-Jun-2021 (remains relevant at Dec 2021) . The financial implications of the Council's new Corporate Strategy have been included in the Medium Term Financial Strategy. The latest MTFS was approved by Council in February 2021 and includes additional funding for resources to support the Council's new priorities which were identified in 2020 within the revised MTFS (Sept 2020) and within the Recovery Investment Strategy which also allocates capital funding for investment in Council Priorities and to provide a revenue stream to the Council. This risk links to risk CRR-D02-028 regarding the Local Government Funding Settlement over the Medium Term. This is the biggest risk to the deliverability of the objectives in the new Corporate Strategy.

Cotswold District Council - Corporate Risk Register

CRR-028	If the Local Government settlement over the medium term is unfavourable then the Council's savings target may need to increase. Risk logged: July 2015 Risk Owner: S.151 Officer Responsible Officer: S.151 Officer	4	4	**16**	• Medium Term Financial Strategy • Only legacy Payments of New Homes Bonus in MTFS • Publica Transformation Programme • Recovery Investment Strategy approved by Council Sept 20 Environmental Services Improvement Programme	3	3	**9**	3	3	**9**	→	9-Jun-2021 (remains relevant at Dec 2021) . The MTFS was approved in Feb 2021 and an updated version will be presented to Council in Feb 2022. The Provisional LG Settlement for 2022/23 has been announced and is essentially a roll over of funding for 2021/22. The significant changes to LG Funding from Business Rate Retention and the Fairer Funding Review has been delayed until 2023/24 and will be reflected in the upThe date of the MTFS due to be approved by Council in Feb 22. MTFS includes savings targets to address changes to government funding. The Council approved a Recovery Investment Strategy in Sept 20 which aims to increase income to the Council to mitigate against reduced government funding. An Environmental Services Improvement Programme has been established to develop options for reducing the cost of the waste and recycling services.
CRR-018	If unavoidable budget pressures exceed provision within the MTFS then the Council may need to: find additional income or savings, use its reserves, or there may be pressures on services or tax levels and agreed budget targets will not be achieved. Risk logged: May 2010 Risk Owner: S.151 Officer Responsible Officer: S.151 Officer	3	3	**9**	Service Delivery Planning Budgetary control system Publica Strategic Directors/Group Managers and Business Managers engaged in updated of budget and MTFS Key variances reported to Cabinet and Overview and Scrutiny Committee	3	3	**9**	3	3	**9**	→	9-Jun-2021 (remains relevant at Dec 2021) . The 2021/22 budget includes provision for the impact of Covid-19 on income and costs. Key service providers (Publica, Ubico and SLM) have been engaged in the 2021/22 budget and have also fed in to the budget for 2022/23 which is due to approved in Februay 2022. The Council has determined its Priorities and the financial resources required to enable the Council to deliver against its priorities had been included in the MTFS and associated 2021/22 budget. Members and Officers are working on a plan to increase income to the Council to fund both new objectives from the new Corporate Strategy and to bridge the expected funding gap from 23/24 as a result of changes to local government funding.
CRR-024	If the Council is unable to meet the savings required to balance the budget then it may need to make unplanned use of revenue reserves, raise council tax, find further savings and/or cut services. Risk logged: January 2011 Risk Owner: S.151 Officer Responsible Officer: S.151 Officer	5	5	**25**	• Regular meetings with Members and Cabinet • MTFS and budget process • Publica Group Managers/Business Managers and Strategic Directors involved in budget process • Publica Transformation Programme • Recovery Investment Strategy	3	3	**9**	3	3	**9**	→	19-Jan-2022 Impacts on income resulting from the Covid-19 which include leisure services management fee, rental and parking incomes have been considered and incorporated into the 2021/22 budget. The level of savings required as a result of changes to local government funding which will now come into effect in 2023/24 remains unclear. The Council has approved a Recovery Investment Strategy and has established an Environmental Services Improvement Programme to deliver the savings, or generate additional income, required from changes to local government funding.

Annex A

Cotswold District Council - Corporate Risk Register

CRR-002	If the Council fails to meet income targets then it may need to make unplanned use of revenue reserves, raise council tax, find further savings and/or cut services. Risk logged: March 2008 Risk Owner: S.151 Officer Responsible Officer: S.151 Officer	3	4	**12**	• Systems of budgetary control • Appropriate marketing of services and consideration of effective charging levels • Project management arrangements	3	3	**9**	3	3	**9**	→	9-Jun-2021 (remains relevant at Dec 2021), 2021/22 budget revised to reflect impact of Covid-19 on income budgets. Budget 2021/22 has been prepared in consultation with Publica officers and reflects reduced income and provides for reduced income in first quarter of the financial year offset by Government funding through Sales and Charges Compenasation Scheme.
CRR-017	If the level of pay inflation exceeds provision in the MTFS then the Council may need to make unplanned use of revenue reserves, raise council tax, find further savings and/or cut services. Risk logged: April 2010 Risk Owner: S.151 Officer Responsible Officer: S.151 Officer	3	2	**6**	National negotiations on pay award	2	5	**10**	2	5	**10**	→	19 Jan 2022 Budget 2021/22 includes provision for a pay award of 1%. Employers have offered 1.75% which has been rejected by Unions and they are now balloting for industrial action. Impact is 2 due to the scale of the financial impact of the extra 0.75% over budget assumption of 1%. Likelihoodof 5 reflecting the fact that the offer is already in excess of budget assumption. Draft budget proposals for 2022/23 include the 1.75% pay award and a provision of 2.5% for inflation in 2022/23.
CRR-027	If Publica does not deliver the agreed objectives in accordance with its business plan then the planned savings for the Council would not be delivered and consequently there would be a risk that services could not be delivered in line with the budget. Risk logged: August 2014 Risk Owner: Chief Executive Responsible Officer: Publica Executive Director (Services)	4	3	**12**	• Programme Board • Local Political Support • National Political Support • Early Engagement with employees and Unions • Funding provided to develop detailed business case	2	2	**4**	2	3	**6**	↑	17 January 2022 Increase - after a successful 2020/21 where the outturn demonstrated delivery of the overall savings target of £0.5m and additional one off savings of £0.16m Publica has largely delivered its business case targets. The target for 21/22 is a further £0.5m and whilst some steps are in place to deliver this there are pressures building wthin the organisation in respect of pay capacity to deliver council objectives. The Council has recently approved some additional resource to help resolve some of these issues and steps are being taken to increase resource and deal with pay issues where the labour market is tight. Any risk of under delivery against the Cotswold share of the target is low and falls within the definition of minor in the policy (less than £100k).
CRR-005	If there is a legal challenge to any of the Council's decisions or actions then there may be financial or policy implications. Risk logged: March 2008 Risk Owner: Monitoring Officer Responsible Officer: Publica Head of Legal Services	3	2	**6**	• Managerial advice and supervision • Legal advice and effective role of monitoring officer • Robust internal procedures • 200k in MTFS for planning appeals	3	2	**6**	3	2	**6**	→	No change in rating

Cotswold District Council - Corporate Risk Register

CRR-032	Without clear and robust procurement procedures, Publica and Partner Councils will not benefit from the most economically advantageous procurement opportunities and may fail to comply with the law governing Public Procurement Rules. Risk logged: January 2021 Risk Owner: S.151 Officer Responsible Officer: Publica Executive Director for Commissioning	4	3	**12**	• Procurement rules approved by Council. • Publica Procurement Team able to provide procurement advice and assistance on major procurements.	3	3	**6**	3	2	**6**	→	11 Jan 2022- Risk reduced. Draft Procurement and Contract Management Strategy out for consultation with view to be being approved by the end of the 2021 FY.

Annex A

Cotswold District Council - Corporate Risk Register

Customer Focus

Risk ID	Description of Risk/Opportunity	Initial Risk Assessment: impact	likelihood	score	Existing Control, Mitigation or Contigency	Previous Residual Risk Score: impact	likelihood	score	Residual Risk Assessment: impact	likelihood	score	Direction of Travel	Risk Response & Further Action
CRR-007	If the Council does not consult properly, or Publica does not consult properly on the Council's behalf, then the Council's decisions could be challenged. Risk logged: July 2011 Risk Owner: Chief Executive Responsible Officer: Publica Executive Director (Services)	3	3	**9**	• Communication team • Engagement strategy • Neighbourhood coordination meetings • Annual Town & Parish council meetings • Annual Budget consultation	3	2	**6**	3	2	**6**	→	No change in rating.
CRR-031	District Councils are required to provide rest centres for the Public during a Civil Emergency. If staff are unwilling to come forward and volunteer with the running of a rest centre, there is a risk that the Council will be unable to fulfil its duty in providing a safe rest centre. Risk logged: January 2021 Risk Owner: Chief Executive Responsible Officer: Publica Business Manager for Corporate Responsibility	4	2	**8**	• Small team of volunteers established (although some have left Publica in recent months). Training and support provided by the County Civil Protection Team. • New staff have emergency planning incorporated in Job Roles • Mutual aid can be called upon • It is becoming more common place to use hotels as opposed to rest centres	3	2	**6**	2	2	**4**	↓	11 Jan 22 - risk reduced - emergency planning documents have now been updated - county council position now confirmed and small team of volunteers now set up
CRR-033	If 'Leisure' contractor does not meet their obligations under key contracts then it could lead to a fall in service standards, reduced customer service, a failure to meet legal requirements or an increase in costs to the Council. Risk logged: January 2022 Risk Owner: S.151 Officer Responsible Officer: Publica Group Manager for Commissioning	4	4	**16**	Robust and effective contract management approach including regular meetings with key contractors	4	3	**12**	4	3	**12**	→	Jan 2022 The impact of Covid 19 on our leisure provider has been very significant and fully reported elsewhere within the Council. The Council has been partially recompensed by the government for the loss of some of this income but the ongoing impact remains a financial risk to the council. Leisure service is recovering steadily with increasing use of the leisure centres however, it's still unclear on what effect a significant increase in infection. The Contracts Team conduct frequent meetings with the various contractors and so are sighted on major issues/risks to the service which are then fed back to the Council accordingly. 14.01.22 Lower usage was seen in December as is traditionally the case, but usage recovery is comparable to the current national trend. It is unclear what affect further waves of the pandemic will have on the leisure service, but the effective cleansing and control measures inpemented at the centres will remain in place.

Cotswold District Council - Corporate Risk Register

Organisational learning, staffing & development													
Risk ID	Description of Risk/Opportunity	Initial Risk Assessment			Existing Control, Mitigation or Contigency	Previous Residual Risk Score			Residual Risk Assessment			Direction of Travel	Risk Response & Further Action
		impact	likelihood	score		impact	likelihood	score	impact	likelihood	score		
CRR-003	If Publica or the Council is unable to recruit suitable staff and retain them, particularly in some key service areas then the level of service delivery may be reduced. Risk logged: March 2008 Risk Owner: Chief Executive Responsible Officer: Publica Executive Director (Services)	3	4	**12**	• Financial incentives (market force supplement scheme) • Work with partners to address skill shortages	3	3	**9**	3	3	**9**	→	13 Jan 2022 No change in rating. Quarterly performance reports enable any necessary mitigation to maintain service delivery levels to be discussed. A review of recruitment is underway and feedback from managers, staff (both Publica and Retained Council staff) clients and Councillors is being considered to help ensure the service meets users' needs and is both flexible and modern going forward. Career-graded posts are being introduced into a number of service areas to assist with retention and development of staff. A new professional development training offer has recently been promoted to staff as another retention measure.
CRR-009	If staff morale and motivation is low in Publica then the level of service delivered may be reduced in some services. Risk logged: March 2008 Risk Owner: Chief Executive Responsible Officer: Publica Executive Director (Services)	4	5	**20**	• Communication • Comprehensive consultation and engagement process • Change management training • Joint Liaison Forum • 2020 Engagement Strategy - Gloucestershire Healthy Workplace Accreditattion Award - Publica recognised as a Real Living Wage employer	3	3	**9**	3	2	**6**	↓	13 Jan 2022 The IIP report identified some areas of weakness for us to work on and we held a Q&A session post sharing of IIP report. We have held some informal staff lunch get togethers to help re-introduce staff to the offce environment and re-connect with colleagues face to face. We are delivering some key actions, including a new staff forum and relaunching the Trade Union liaison forum to help address some of the shortcomings identified in the IIP report.
CRR-011	If key Officers in the Council (such as the Chief Executive, Deputy Chief Executive or Monitoring Officer) are not available, the Council may not be able to respond effectively to urgent matters which could result in reputational or financial damage. Risk logged: July 2019 Risk Owner: Chief Executive Responsible Officer: Publica Executive Director (Services)	4	2	**8**	• Deputy CFO and Monitoring Officers in place • Support from Shared Legal Services team-employed by the Publica Partner Councils • Support from professionals within Publica (e.g. Strategic Directors, Group Managers, Accountants, HR) • Support available from other Statutory Officers from across the Publica Partner Councils • Effective working relationships between Officers and Cabinet Members • Risk management processes	3	2	**6**	3	2	**6**	→	No change to rating.

Annex A

Cotswold District Council - Corporate Risk Register

Business processes													
Risk ID	Description of Risk/Opportunity	Initial Risk Assessment			Existing Control, Mitigation or Contigency	Previous Residual Risk Score			Residual Risk Assessment			Direction of Travel	Risk Response & Further Action
		impact	likelihood	score		impact	likelihood	score	impact	likelihood	score		
CRR-001	If the Council's data is of poor quality or it does not make appropriate use of its data then the decisions it makes may be flawed. Risk logged: March 2008 Risk Owner: Responsible Officer: Publica Group Manager for Strategic Support	3	4	**12**	• Internal processes and self assessments • Internal audit assurance and support • Dedicated staff resource on performance management and data quality • Performance Management Framework	3	3	**9**	3	3	**9**	→	Additional mitigation has been put in place as part of a collective effort between Corporate Performance and Business Intelligence Teams to improve the accuracy and speed at which KPI data can be collected (moving some of the information into a live environment). A working group has been set up involing members of the scrutiny committe to develop improved assurance methods and metrics for councils relating to publcia services. Prototyping is in progress in relation to a live data assurance framework for Publica Services.
CRR-016	If the Council does not comply with relevant Information Management legislation including the new GDPR and Transparency Agenda then the government may intervene which could have a reputational impact on the Council. Risk logged: April 2015 Risk Owner: Monitoring Officer Responsible Officer: Publica Data Protection Officer	3	4	**12**	• The Council has a Caldicott Guardian in place (DPO) • The Council has a Data Protection Officer. • The Council manages information through the Governance Group • The Council has a suite of information governance policies. • The Council has information sharing agreements and protocols in place. • The Council has taken part in a "Big Data" project without any risks materialising.	3	3	**9**	3	3	**9**	→	• Data Protection Policy approved by Council and updated periodically • Data protection training and updates for new and existing staff • Member Training on responsibilities under appropriate Code of Conduct for new and existing Members • Certification obtained on disposal of confidential information - Information Asset Register in place • Records Retention Policy in place and implemented - Data sharing protocols in place and implemented • Data protection considerations identified for all new projects and processes - Software systems fully GDPR compliant • Compliant use of email by staff/Members and document management arrangements • Statutory Data Protection Officer in place • Additional GDPR guidance produced for all staff in light of move to working from home, including as a result of increased home working due to Covid 19 pandemic • Data security threats (e.g through phishing) to addressed in planning Assimilation training to all staff

Annex A

Cotswold District Council - Corporate Risk Register

CRR-011	If the Council's IT System / infrastructure failed due to cyber attacks and/or virus then system performance could be reduced leading to poor service delivery/financial impact. Risk logged: May 2013 Risk Owner: Responsible Officer: Publica Group Manager for Business Support	3	3	**9**	Preventative measures introduced such as blocking of USB and other devices Undertaken and passed a central government ICT audit, meeting the very high standards set for network security Introduction of new / revised joint policies Periodic staff awareness training BCP in place and reviewed & tested	3	2	**6**	3	2	**6**	→	No change in Risk rating. • All partner Councils achieved PSN accreditation in Oct 2020 • Publica to achieve Cyber Essentials re- accreditation in Sept 2021 • Ongoing network Internal & External Penetration checks • Regular review of User Privileges • Progress on the Cyber Security updates and Action Plan is being reported to the Council and Publica on a regular basis. • Continual update Information Asset Register • Additional Phishing awareness training to educates employees on how to spot and report suspected phishing attempts • Continual Password Audits across our network to evaluate weak passwords • Periodic reviews Business Continuity & Disaster Recovery Plans • Continual review of staff development
CRR-012	If there is a loss of data (both on site and as a result of remote/mobile working) / security failure in our IT systems then it could lead to a reduced level of service and have a negative impact on the Council's reputation and finances. Risk logged: May 2013 Risk Owner: S.151 Officer Responsible Officer: Publica Group Manager for Business Support	3	3	**9**	• Preventative measures introduced such as blocking of USB and other devices • Undertaken and passed a central government ICT audit, meeting the very high standards set for network security • Introduction of new / revised joint policies • Periodic staff awareness training • BCP in place and reviewed & tested	3	2	**6**	3	2	**6**	→	No change in rating. • All Councils have PSN accreditation, which compliments the Cyber Essential Plus. • The online training programme has now been completely rolled out which is helping to reinforce the need for staff to be aware of their responsibilities with regards to data security, passwords and GDPR. • Additional Phishing awareness training to educates employees on how to spot and report suspected phishing attempts has also been provided.
CRR-034	If 'Waste' contractor does not meet their obligations under key contracts then it could lead to a fall in service standards, reduced customer service, a failure to meet legal requirements or an increase in costs to the Council. Risk logged: January 2022 Risk Owner: S.151 Officer Responsible Officer: Publica Group Manager for Commissioning	5	4	**20**	Robust and effective contract management approach including regular meetings with key contractors	4	3	**12**	4	3	**12**	→	An agreement has been reached to compensate the Council for wheeled bin failures previously reported on this item. With the vaccine rollout and lower infection rate the risks to the frontline contracted waste services are reducing however, it is too early to say what affect further variants of the virus would have. The contractor has remainind cautious and maintained the crew bubbles, social distancing while in the depots and effective cleansing of cabs to control any potential infection. The Contracts Team conduct frequent meetings with the contractor and so are sighted on major issues/risks to the service which are then fed back to the Council accordingly. 14.01.22 Whilst there is 1 case of omicron, the staff member is isolating and therefore this is protecting other staff members effectively. It is unclear what effects further variants of the virus will have, but the effective control measures will remain in place.

Annex A

Cotswold District Council - Corporate Risk Register

Longer Term Risks

Risk ID	Description of Risk/Opportunity	Initial Risk Assessment			Existing Control, Mitigation or Contigency	Previous Residual Risk Score			Residual Risk Assessment			Direction of Travel	Risk Response & Further Action
		im	lik	sc		im	lik	sc	im	lik	sc		
CRR-002	If Health and Safety procedures and risk assessments are not in place /being followed then staff could be injured undertaking Council duties which would impact on their health and wellbeing, affect their ability to work and create liability issues for the Council Risk logged: April 2010 Risk Owner: Chief Executive Responsible Officer: Publica Group Manager for Business Support	5	3	**15**	• Health and Safety procedures • Access to weather forecasts • Lone workers policy • Business Continuity Plans	4	2	**8**	4	2	**8**	→	No change in rating. All H&S policies & guidance notes have been updated and signed of by the Chief Executive / Managing Director for sign off. The Local H&S Committee which compremises of the H&S Team, HR, Chief Execs and union reps meet on a quarterly basis to review risk assessment and policies to ensure ongoing compliance. A new Fire Evac procedure is currently being developed and will be rolled out across all the Council's buildings in Nov / Dec.

Opportunities

ID	Description of Opportunity	Initial Assessment			Existing measures to ensure opportunity will be successfully exploited	Previous Residual Score			Residual Assessment			Direction of Travel	Response & Further Action
		impact of opportunit	likelihood of failure	score		impact of opportunit	likelihood of failure	score	impact of opportunit	likelihood of failure	score		

Key to Officers

Risk Owner

S.151 Officer: Jenny Poole

Monitoring Officer: Angela Claridge

Chief Executive: Robert Weaver

Responsible Officer

Publica Group Finance Director: Frank Wilson

Publica Executive Director - Service Delivery: Sue Pangbourne

Publica Forward Planning Manager: James Brain

Publica Head of Legal Services: Susan Gargett

Publica Group Manager for Commissioning: Claire Locke

Publica Group Manager for Strategic Support: Andy Barge

Publica Group Manager for Business Support: Phil Martin

Publica Business Manager for Data and Growth: Stuart Rawlinson

Publica Data Protection Officer: Tony Oladejo

Publica Business Manager for Development Control: Phil Shaw

COTSWOLD
DISTRICT COUNCIL

Council name	**COTSWOLD DISTRICT COUNCIL**
Name and date of Committee	**AUDIT COMMITTEE – 27 JANUARY 2021**
Report Number	**AGENDA ITEM 11**
Subject	**ANNUAL GOVERNANCE STATEMENT – ACTION PLAN**
Wards affected	All
Accountable member	Cllr Joe Harris, Leader Email: joe.harris@cotswold.gov.uk
Accountable officer	Rob Weaver, Chief Executive Email: rob.weaver@cotswold.gov.uk
Summary/Purpose	This report presents an update on the Governance Action Plan for 2021/22
Annexes	Annex A Annual Governance Statement Action Plan 2021/22 including progress updates.
Recommendation(s)	*To note progress against items in the Governance Action Plan for 2021/22*
Corporate priorities	Not applicable
Key Decision	NO
Exempt	NO
Consultees/ Consultation	The Corporate Action Plan has been shared with statutory officers, Executive Directors and Group Managers

COTSWOLD
DISTRICT COUNCIL

1. BACKGROUND

1.1 The Audit Committee is the Committee of the Council charged with governance.

1.2 The Accounts and Audit Regulations 2011 require the Council to produce an Annual Governance Statement (AGS), setting out the state of the Council's governance arrangements for the previous financial year.

1.3 The AGS for 2020/2021 was presented to this Committee on 22 July 2021 and is included within the approved Annual Statement of Accounts. The AGS identified eight areas for focussed improvement during 2021/2022.

1.4 The AGS areas of focus, identified for 2021/2022 are:

- Audit recommendations
- Procurement and contract management
- Constitution and officer schemes of delegation
- Operational risks
- Responsibility and accountability of the Council's Senior Leadership Team and Publica Management Team
- Budget management
- Project and programme management
- Health and safety

1.5 Progress reports covering these areas are made to this Committee on a quarterly basis so that it may monitor progress in improving the Council's governance arrangements.

1.6 An action plan for 2021/2022 covering the eight areas of focus is shown at Annex A.

2. FINANCIAL IMPLICATIONS

2.1 These are set out in the report.

3. LEGAL IMPLICATIONS

3.1 These are set out in the report.

4. RISK ASSESSMENT

4.1 If governance is weak the Council runs the risk of failing to safeguard the use of public money. In turn this would lead to poor external assessments, damaging the reputation of the Council. The areas of focus for the coming financial year identified in the Annual Governance Statement provide a clear set of priorities for the continual improvement of governance to mitigate risk.

COTSWOLD
DISTRICT COUNCIL

5. BACKGROUND PAPERS

5.1 The following documents have been identified by the author of the report in accordance with section 100D.5(a) of the Local Government Act 1972 and are listed in accordance with section 100 D.1(a) for inspection by members of the public:

- Agenda Item 11 – Audit Committee 22nd July 202

5.2 These documents will be available for inspection at the Council Offices at Trinity Road, Cirencester, GL7 1PX during normal office hours for a period of up to 4 years from the date of the meeting. Please contact democratic services via democratic@cotswold.gov.uk

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ANNEX A

ANNUAL GOVERNANCE ACTION PLAN 2021/2022

Notes and key

Each action in the plan is marked with a 'traffic light' as follows:

Green	On target
Amber	Off target but action being taken to ensure delivery (where this results in a reviewed target date, this is made clear in the table)
Red	Off target and no action has yet been agreed to resolve the situation

Completed actions are marked as such in the 'Date' column and are shaded grey

This action plan contains actions from the Annual Governance Statement 2020/2021 which are coordinated and monitored by the Local Management Team.

Key to officers

Accountable officer

Monitoring Officer: Angela Claridge
Chief Executive: Rob Weaver
S.151 Officer: Jenny Poole

Responsible officer

Publica Strategic Support Officer - Risk and Compliance: Mike Butler
Publica Business Manager for Corporate Responsibility: Claire Hughes
Publica Business Manager for Finance: Debra Goodall
Publica Senior Procurement Business Partner: Ciaran O'Kane
Publica Executive Director (Services): Frank Wilson
Publica Business Partner - Health and Safety: Katrin Richardson

	Key Area of Focus	Actions	Responsible Officer	Accountable Officer	Completion due by	Progress
1. GREEN	Audit recommendations	Managers to ensure compliance with agreed timescales to implement recommendations				
		• Level 1 & 2 recommendations to be monitored and reported quarterly to Audit Committees. Managers will give feedback where there has been an unacceptable delay.	SWAP Audit	S.151 Officer	November 2021	Reported by Internal Audit at each Audit Committee
		• All recommendations to be reported quarterly to the Council Management Team. Managers will give feedback where there has been an unacceptable delay.	Publica Strategic Support Officer - Risk and Compliance	S.151 Officer	November 2021	Reporting began in October 2021
2. GREEN	Procurement and contract management.	• Compliance with new strategy for procurement and contract management.	Publica Business Manager for Procurement	S.151 Officer	March 2022	Procurement and Commissioning Board established and meets monthly to review upcoming procurements. S151, Group Managers, Business Managers and Commissioners in attendance. The purpose of the Board is to ensure effective Commissioning takes place prior to Procurement. Procurement Strategy on hold pending update from Central Government advice on post Brexit on Public Contract Regulations.
		• Ensure all contract conditions are being monitored and fulfilled.	All budget holders	Chief Executive	March 2022	A training plan is currently being developed internally

		• Financial management training to cover procurement and commissioning.	Publica Business Manager for Procurement / Publica Business Manager for Finance	S.151 Officer	March 2022	A training plan is currently being developed internally
3. GREEN	Constitution and officer schemes of delegation.	• Schemes of delegation to be updated. • Training to be provided where appropriate for Officers given delegated authority. • A training programme for Members to be developed.	Monitoring Officer Monitoring Officer Monitoring Officer	Monitoring Officer Monitoring Officer Monitoring Officer	March 2022 March 2022 March 2022	Director of Governance and Development appointed December 2021. These actions will feed into post objectives for 2022/23
4. GREEN	Operational Risks.	• Governance Group to carry out a quarterly review of operational risk registers to ensure that they are being appropriately populated and that emerging high level risks are being escalated to strategic/corporate register.	Publica Business Manager for Corporate Responsibility	Chief Executive	February 2022	Governance Group reviewed operational risk registers in January. A separate Risk Group will now be established to review and share risk registers across Publica and the Councils.
5. GREEN	Responsibility and accountability of the Council's Senior Leadership Team and Publica Management Team	• Clarify and embed responsibility and accountability between the Council's Senior Leadership Team and Publica's Management Team. • Clarify responsibility and accountability of Publica Officers.	Executive Director (Services) Executive Director (Services)	Chief Executive Chief Executive	March 2022 March 2022	Local Leadership Team includes Lead Director for Publica. Councillor Contact Guide included on the Member Portal. Commissioning structure chart and Publica management structure chart updated to reaffirm the different roles between Commissioning and Delivery.

6. GREEN	Budget management	• Review of approvers on 'Business World' to ensure only the approved budget holder (or line manager) is able to approve spending. • Provide financial management training to cover budget management.	Publica Business Manager for Finance Publica Business Manager for Finance	S.151 Officer S.151 Officer	March 2022 March 2022	Included as part of a bigger review on Business World Provided as and when needed.
7. GREEN	Project and programme management.	• New framework for project and programme management to be rolled out. • High level project risks to be escalated to Strategic/Corporate register.	Publica Business Manager for Corporate Responsibility Publica Strategic Support Officer - Risk and Compliance	Chief Executive Chief Executive	March 2022 January 2022	The framework was launched in Oct 2020 and has been in use since then. The roll out of a Project Management Framework support library to support use of the framework was rolled in in October 2021. Monthly project updates on the project register provide a mechanism to flag that there is a new/increased project risk to raise. The Governance Group will looked at a sample of project risk registers at their meeting in January 2022, although it has now been agreed that this task will move to a separate risk management group
8. GREEN	Health and Safety	• Health and safety audits to be refreshed as we come out of 'lockdown' and work on an increasingly agile basis.	Publica Business Partner - Health and Safety	Chief Executive	Complete	A schedule of audits has been compiled which will cover all service areas over a four year cycle. This includes follow up audits to ensure any necessary actions have been put in place.

		• Fire Risk Assessments to be refreshed as we come out of 'lockdown' and work on an increasingly agile basis.	Publica Business Partner - Health and Safety	Chief Executive	Complete	Fire risk assessments refreshed and will be updated in 2022. Quarterly review meetings held with Chief Executive.

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COTSWOLD
DISTRICT COUNCIL

Council name	**COTSWOLD DISTRICT COUNCIL**
Name and date of Committee	**AUDIT COMMITTEE – 27 JANUARY 2022**
Report Number	**ALLOCATED BY DEMOCRATIC SERVICES**
Subject	**REVISED PRUDENTIAL CODE AND TREASURY MANAGEMENT CODE**
Wards affected	ALL
Accountable member	Cllr Mike Evemy, Deputy Leader and Cabinet Member for Finance Email: Mike.Evemy@cotswold.gov.uk
Accountable officer	Jenny Poole, Deputy Chief Executive Email: jenny.poole@cotswold.gov.uk
Summary/Purpose	The purpose of this report is to provide the Audit Committee with an update on changes to the Prudential Code and the Treasury Management Code published in December 2021.
Annexes	None
Recommendation/s	*That the Committee notes this update report and uses it to inform consideration of the draft Capital, Investment and Treasury Management Strategies for 2022/23 later in the meeting.*
Executive Summary	The key changes to the two Codes are around permitted reasons to borrow, knowledge and skills and the management of non-treasury investments. There are also various amendments to the capital and prudential indicators. The TM Guidance Notes for Local Authorities and final details of the TM prudential indicators are current still in preparation. The Council's Capital, Investment and Treasury Management Strategies for 2023/24 will comply with all of the changes to the Prudential and Treasury Management codes and the cross-sectoral guidance notes.
Corporate priorities	The Council's revenue and capital budgets underpin the Council's Priorities: • delivering our services to the highest standards; • responding to the challenges presented by the climate crisis; • providing good quality social rented homes; • presenting a local plan that's green to the core; • helping residents and communities access the support they need for good health and wellbeing;

	• supporting businesses to grow in a green, sustainable manner, and to provide high value jobs
Key Decision	NO
Exempt	NO
Consultees/ Consultation	The Council responded to the Chartered Institute of Public Finance and Accountancy (CIPFA) consultation on proposed changes to the Prudential Code and Treasury Management Code in November 2021.

1. BACKGROUND

1.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) maintains the Prudential Code and Treasury Management Code of Practice. The Prudential Code is used to ensure that capital finance decisions are financially sustainable, while the Treasury Management Code sits alongside to provide a framework for risk management of cash investments and borrowing.

1.2. CIPFA published its revised Prudential Code and Treasury Management Code of Practice in December 2021. The accompanying guidance notes have yet to be published.

1.3. This report provides the Committee with a summary of the changes introduced through the revised Codes. This document aims to provide a useful guide when the Committee considers the 2022/23 draft Capital, Investment and Treasury Management Strategies later in the meeting. Changes in the Prudential Code are reflected in the Treasury Management Code (and vice versa).

2. PRUDENTIAL CODE CHANGES

2.1. The new Prudential Code takes immediate effect from the publication date of 20 December 2021. Authorities are permitted however to defer introducing the revised reporting requirements, which would include revised reporting in relation to the Capital, Investment and Treasury Management strategies, until the 2023/24 financial year. As the guidance notes have yet to be published, the Deputy Chief Executive is proposing to exercise this option for the 2022/23 strategies. The Finance team will ensure that the 2023/24 strategies fully comply with the new Codes.

2.2. The new Prudential Code determines that authorities must not borrow to invest primarily for financial return and this requirement applies with immediate effect. This is a move away from the previous Code which stated that authorities must not "*borrow more than or in advance of need*". The Code is now more prescriptive on what is considered to be prudent borrowing. Authorities may invest in maximising the value of commercial property, including repair, renewal and updating of the properties. The Code provides the following as examples of prudent borrowing:

2.2.1. Financing capital expenditure primarily related to the delivery of a local authority's functions;

2.2.2. Temporary management of cash flow within the context of a balanced budget;

2.2.3. Securing affordability by removing exposure to future interest rate rises;

2.2.4. Refinancing current borrowing, including adjusting levels of internal borrowing, to manage risk, reduce costs or reflect changing cash flow circumstances;

2.2.5. Other treasury management activity that seeks to prudently manage treasury risks without borrowing primarily to invest for financial return.

2.3. The Code's objective that capital expenditure plans should be affordable has been expanded to include proportionality and a requirement has been included that *"plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services".* As is customary at this Council, this requirement will be addressed within business cases for capital investment.

2.4. Authorities with an expected need to borrow are required to review options for exiting their financial investments for commercial purposes and to summarise the review in the annual Treasury Management and Investment Strategies. Officers are already reviewing the Commercial Property investment portfolio, similarly the value for money provided by the Council's long-term investment portfolio is considered against the cost of borrowing. The strategy documents will be updated for 2023/24 and capital financial proposals will reflect the outcome of these reviews.

Investment Categories

2.5. Investments will now be split into three broad categories:

2.5.1. Investments made for **treasury management** purposes;

2.5.2. Investments made for **service** purposes – made to further service objectives;

2.5.3. Investments made for **commercial** purposes – primarily for financial return.

2.6. Further guidance is expected to be published in the Treasury Management Code Guidance Notes for Local Authorities. Local authorities with borrowing will be required to classify investments in equities, bonds and property as 'investments for commercial purposes'.

Capital Strategy

2.7. The Capital Strategy from 2023/24 is required to include:

2.7.1. How capital expenditure is prioritised in relation to the strategic priorities and policies of the authority, such as affordable housing, regeneration and environmental sustainability;

2.7.2. A section on liquidity risk and borrowing sources for authorities with restricted or no access to PWLB;

2.7.3. A projection of investments (where material) analysed between investments for treasury management purposes, service purposes and commercial purposes;

2.7.4. The authority's approach to investments for service or commercial purposes including defining the authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;

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

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

2.7.7. Limits on total investments for service purposes and for commercial purposes, respectively; and

2.7.8. A statement on compliance with paragraphs 51 to 53 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return.

Prudential Indicators

2.8. There is a new requirement for forward-looking prudential indicators to be monitored and reported to Members at least quarterly as part of the revenue and capital monitoring. This will be implemented during 2023/24 and will align with the indicators included within the revised strategies from that year.

2.9. A new prudential indicator has been added: *"net income from commercial and service investments to net revenue stream"* as a measure of proportionality. A similar measure with usable revenue reserves instead of net revenue stream is suggested as a local indicator.

2.10. There are some technical adjustments to the prudential indicators, the most significant being the requirement to exclude interest and investment income from capital financing costs. Previously the calculation included interest payable on borrowing less income receivable from investments so the net cost of borrowing was reported. This change aids transparency as the full cost of capital financing is now considered.

Treasury Management Code (TM Code)

2.11. Unlike the Prudential Code, there is no mention of the implementation date for the TM Code. The Deputy Chief Executive is following the same process as with the Prudential Code, delaying changes to the strategies until the 2023/24 financial year.

2.12. The TM Code will require a formal adoption of a policy to create and maintain investment management practices (IMPs) for investments that are not for treasury management purposes, for example investments in town centre regeneration or solar energy. The Treasury Management Policy statement will also require a technical change to refer to high level policies on "treasury management" rather than the previous "investment and borrowing". Council will be asked to formally approve these amendments as part to the budget setting process in 2023/24.

Treasury Management Practices

2.13. Treasury Management Practices (TMPs) underpin operational treasury management activity. There are various technical changes required to TMPs which will be addressed by Officers such as renaming TMPs or updating TMPs to align with the changes in the Prudential Code and TM Code as set out in this report. More significantly, there is a new requirement for TM policies and practices to include environmental, social and governance (ESG) investment considerations. Work is currently underway on including and referencing environmental, social and governance elements in the Council's TM Policy which will be presented to full Council during 2022/23.

Service and Commercial Investments

2.14. There are additional requirements for service and commercial investments. Examples of service investments include: investment in operational assets such as car parks, housing, vehicles and equipment and investment in the systems used by staff to deliver services. Examples of commercial investments include investment in property with the primary aim of delivering a financial return or treasury investments in equities or bonds. The TM Code introduces additional reporting requirements including:

2.14.1. Clear identification and reporting in appropriate categories;

2.14.2. Description of the investment purposes, objectives and management arrangements;

2.14.3. Setting out the level of risk and the arrangements for managing risk;

2.14.4. Addressing all the organisation's investments in its TM policy statements, strategies and reports;

2.14.5. Applying an appropriate investment risk management approach across all non-treasury management investments;

2.14.6. Noting that risks associated with investment should be proportionate to the organisation's financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services;

2.14.7. Ensuring that robust procedures for the consideration of risk and return are applied;

2.14.8. Preparing and maintaining investment management practices (IMPs) which categorise non-treasury management investments and plans into appropriate portfolios (or individual major investments) reflecting their different purposes, objectives, and management arrangements;

2.14.9. Setting out in a schedule to the IMP the investment objectives, investment criteria, risk management arrangements, decision-making and reporting arrangements, performance measurement and management, and arrangements for training and qualifications for each portfolio.

Cross-sectoral guidance notes

2.15. The guidance notes were not subject to consultation but have been published alongside the revised Prudential and Treasury Management Codes. There is a new requirement to define the local authority's risk appetite, which includes:

2.15.1. Providing an overall assessment of the authority's risk appetite, which governs the policies and strategies the organisation uses to manage risk;

2.15.2. Including consideration of a range of risk scenarios and their impact on the revenue budget in relation to the organisation's capacity to absorb adverse impacts;

2.15.3. Reaching a view about the acceptable level of treasury budget variance the organisation can reasonably manage and setting risk limits accordingly.

2.16. The section on managing treasury risks includes the statement that "*the treasury function's primary role in the public services is to manage the net risk exposures that result from the organisation's activities and financing. It is not the purpose of the treasury function to increase risks primarily in order to earn financial returns*." This links to the review of investments required before undertaking new borrowing, as set out at 2.4 above.

2.17. Councils are now required to include a liability benchmark in the Capital Strategy to enable consideration of an alternative, lower level of borrowing than that proposed by the use of the Capital Financing Requirement. The aim being to avoid borrowing too much, too little, too long or too short. The Council has previously included a liability benchmark in its Capital Strategy. However, use of this to support decision making will be enhanced in the 2023/24 Capital Strategy.

2.18. The TM strategy may be approved by a sub-committee if full Council approves a Capital Strategy containing certain minimum items. In this case the guidance suggests that a separate scrutiny committee for treasury management may be appropriate in order to ensure an appropriate level of challenge. However, the Deputy Chief Executive is proposing to maintain the current practice of full Council approving the Treasury Management Strategy. The Audit Committee currently demonstrates its ability to provide an appropriate level of scrutiny and challenge on treasury management and investment decisions and has the ability to report both to Cabinet and Council.

2.19. The guidance notes also include enhancements to the schedules relating to training and qualification. Schedules are recommended for key roles, knowledge and skills, and monitoring and review.

3. Summary

3.1. The key changes to the two Codes are around permitted reasons to borrow, knowledge and skills and the management of non-treasury investments. There are also various amendments to the capital and prudential indicators.

3.2. The TM Guidance Notes for Local Authorities and final details of the TM prudential indicators are currently still in preparation.

3.3. The Council's Capital, Investment and Treasury Management Strategies for 2023/24 will comply with all of the changes to the Prudential and Treasury Management codes and the cross-sectoral guidance notes.

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Agenda Item 13

COTSWOLD DISTRICT COUNCIL

Council name	**COTSWOLD DISTRICT COUNCIL**
Name and date of Committee	**AUDIT COMMITTEE – 27 JANUARY 2022**
Report Number	**ALLOCATED BY DEMOCRATIC SERVICES**
Subject	**MEDIUM TERM FINANCIAL STRATEGY AND BUDGET 2022/23**
Wards affected	ALL
Accountable member	Cllr Mike Evemy, Deputy Leader and Cabinet Member for Finance Email: Mike.Evemy@cotswold.gov.uk
Accountable officer	Jenny Poole, Deputy Chief Executive Email: jenny.poole@cotswold.gov.uk
Summary/Purpose	The purpose of this report is to provide the Audit Committee with the opportunity to consider the draft Medium Term Financial Strategy, Capital, Investment and Treasury Management Strategies for 2022/23. The Committees may provide feedback for the Cabinet and Council to consider as part of the approval process for the strategies.
Annexes	Annex A – Draft Medium Term Financial Strategy Annex B – Capital Strategy Annex C – Investment Strategy Annex D – Treasury Management Strategy
Recommendation/s	*That the Committee considers* a) *the Medium Term Financial Strategy,* b) *the Capital Strategy,* c) *the Investment Strategy,* d) *the draft Treasury Management Strategy,* e) *the terms of the proposed Local Climate Bonds being an issue of £1 million at an interest rate of 1.18% for a term five years; and* f) *provides feedback for the Cabinet and Council to consider as part of the 2022/23 budget setting process.*
Corporate priorities	The draft budget for 2022/23 reflects the financial implications of the Council Priorities as approved in the Council Plan in September 2020.
Key Decision	NO
Exempt	NO

Consultees/ Consultation	The Medium Term Financial Strategy and draft Budget for 2022/23 has been developed in consultation with the Council's statutory officers, Publica management, Ubico management, and members of the Cabinet. Consultation has been carried out with members of the Overview and Scrutiny Committee, Audit Committee and with the District's residents, businesses and community organisations.

1. BACKGROUND

1.1. Cabinet approved its draft Medium Term Financial Strategy (MTFS) for the period 2022/23 to 2025/26 and the associated budget proposals for 2022/23 for consultation on 4 October 2021. The Council ran an extensive budget consultation process during October and November 2021 which included: a feature in an edition of Cotswold News which was provided to every household in the District, events with Town and Parish Councils, an item within the CDC Live Broadcast, community engagement events and promotion of the budget consultation survey via social media.

1.2. The Council received 432 responses to the consultation, an increase of 106 responses from the consultation last year. The Overview and Scrutiny Committee also considered the proposed MTFS and 2022/23 budget on 30 November 2021.

1.3. In January 2022, Cabinet considered feedback from the consultation and used that feedback to inform decisions on changes to car park charging periods, car park and season ticket fees.

1.4. The budget and MTFS have now been updated to reflect the following:

A. The Government's announcement of the Provisional Local Government Settlement 2022/23;

B. The estimated Council Taxbase 2022/23 and the forecast balance on the Collection Fund in respect of Council Tax collection in 2021/22; and

C. Provision for changes which have arisen since 4 October 2021.

1.5. The updated MTFS is attached at **Annex A**.

1.6. This report focuses upon changes to budget proposals since 4 October 2021. The Overview and Scrutiny Committee will consider the updated MTFS and detailed budget proposals for 2022/23 on 1 February 2022.

1.7. The Audit Committee is asked to considered the draft MTFS, Capital, Investment and Treasury Management Strategies and to provide feedback for the Cabinet and Council to consider as part of the 2022/23 budget setting process..

1.8. The Deputy Chief Executive and Deputy Leader and Cabinet Member for Finance will provide feedback from the Audit Committee and the Overview and Scrutiny Committee to Cabinet Members at the meeting on 7 February 2021.

2. MAIN POINTS

<u>Provisional Local Government Finance Settlement 2022/23</u>

2.1. On 27 October 2021, the Chancellor of the Exchequer announced the outcome of the Spending Review 2021. The Spending Review has set the Government's departmental spending limits for the next three financial years, 2022/23 to 2024/25.

2.2. The Department for Levelling Up, Housing and Communities (DLUHC) has used the outcome from the Spending Review to set the Provisional Local Government Finance Settlement 2022/23. The Settlement, announced on 16 December 2021, proposes Government funding for individual councils.

2.3. The key announcements for district councils included:

2.3.1. Nationally, an above inflation cash increase of 6.9% has been announced; however, this is different for individual councils. For Cotswold District Council, the settlement is essentially a flat roll-over from 2021/22.

2.3.2. Councils impacted by "negative Revenue Support Grant", which includes this Council, continue to be protected from this funding cut;

2.3.3. New Homes Bonus funding will continue for 2022/23 but the grant will be for one-year only. The 2021/22 New Homes Bonus grant remains payable for that year only, so will not continue in 2022/23. Prior to 2020/21, New Homes Bonus grant was awarded for multiple financial years, initially six years and latterly four years. A consultation paper on the future of New Homes Bonus is due to be published shortly with an indication that changes will be implemented in 2023/24;

2.3.4. Rural Services Delivery Grant continues in 2022/23;

2.3.5. A new Services Grant has been introduced in 2022/23 and will be payable for one year only. This Grant includes funding for the national increase to National Insurance Contributions. This grant will be excluded from potential "transitional protection" as the Government implements changes to local government funding. This change is expected to take place from 2023/24.

2.3.6. The Lower Tier Services Grant which was introduced in 2021/22 to ensure that no local authority saw an overall reduction in Core Spending Power in 2021/22 continues in 2022/23. Core Spending Power includes income from Retained Business Rates, Council Tax, Lower Tier Support Grant, New Homes Bonus, Rural Services Delivery Grant and the new Services Grant.

2.3.7. Disabled Facilities Grant funding will continue at current levels;

2.3.8. The Government delayed changes to local government funding from the Fairer Funding Review and Business Rate Retention Scheme for a year to April 2023.

2.4. In October, the Council's draft budget for 2022/23 prudently included only legacy New Homes Bonus Grant from 2019/20 as the future of New Homes Bonus was uncertain. In terms of overall Government funding, it was assumed that funding would be broadly neutral but that increased income from a Council Tax increase would be considered as part of core Government Funding and cash funding from the Government would fall in line with the Council Tax increase. The impact of the Provisional Local Government Settlement on the Council's revenue budget for 2022/23 is set out below:

2.4.1. New Homes Bonus increased by £145,598 as a further one-off grant was announced for 2022/23 only;

2.4.2. Rural Services Delivery Grant remains in line with budget expectation at £632,183;

2.4.3. The Lower Tier Services Grant has reduced by £220,551 to £1,472,660;

2.4.4. The new Services Grant increases Government funding by £129,486.

2.4.5. The 2022/23 revenue budget funded by core Government funding has therefore increased by £54,533.

2.5. Using advice provided by Pixel Financial Management, who are experts in interpreting the impact of changes to Government policy on local authority funding, the impact of the announcements in the Spending Review and the Provisional Local Government Settlement on Government funding for the period 2023/24 to 2025/26 have been modelled. The outcome of the modelling is set out below and has been reflected in the MTFS:

Government Funding	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**	**2025/26 £000**
Retained Business Rates	3,280	3,424	2,208	2,271	2,335
Lower Tier Services Grant	691	1,473			
Rural Services Delivery Grant	632	632			
New Homes Bonus	2,093	810			
Services Grant	0	129			
Negative Revenue Support Grant	0	0	(1,595)	(1,635)	(1,666)
Damping	0	0	3,873	2,945	1,985
Total Government Funding Forecast January 2022	**6,696**	**6,468**	**4,486**	**3,581**	**2,654**
Potential Funding Cut		**228**	**1,982**	**905**	**927**
October 2021 MTFS Forecast Funding Cut	N/A	282	3,046	798	829
Change	**0**	**(54)**	**(1,064)**	**107**	**98**

2.6. Over the life of the MTFS, the forecast of Government funding has improved by £913,000. However, the forecast for period 2023/24 to 2025/26 needs to be treated with caution as the Government has not provided any indicative funding figures at an individual local authority level.

Estimated Income from Business Rates Retention Scheme 2022/23

2.7. A key element of funding from the Government comes from retained business rates. The MTFS assumes the Council will be compensated (through section 31 revenue grant) for any negative impact upon business rates income relating to any national announcements on discounts or reliefs to businesses. An example of this is the Covid-19 Additional Relief Fund (CARF) which was announced as part of the Provisional Local Government Settlement. This fund will provide business rate relief to businesses but will not impact the value of Business Rates retained by the Council as the Council will be compensated by a cash grant.

2.8. Changes to the Business Rates Retention Scheme were due to come into effect from April 2022. As stated in 2.3.8, this change will now take place in April 2023. The MTFS reflects forecast income from the revised scheme using advice from Pixel Financial Management who are providing expert advice to support local authorities and national bodies such as Sparse and the Local Government Association.

The Gloucestershire Business Rates Pool

2.9. The Gloucestershire Business Rates Pool was set up in 2013/14 to maximise the business rate income retained within the County and to support economic growth within the area of the Local Enterprise Partnership. Details of past performance of the Business Rates Pool is included in the Medium Term Financial Strategy at **Annex A**.

2.10. Any windfall gain associated with the Business Rates Pool in 2021/22 and 2022/23 will be allocated to the Council Priorities Fund.

2.11. Each year the Council forecasts whether its collection of Business Rates will be higher than anticipated, resulting in a “surplus” on the Collection Fund, or lower than anticipated, resulting in a “deficit” on the Collection Fund.

2.12. Where this Council forecasts a surplus on the Collection Fund, the surplus is paid out in the following financial year to the County Council (10%), Government (50%) and the District Council (40%). Similarly, where the Council forecasts a deficit, the deficit is recovered in the same proportions in the following financial year.

2.13. At the time of writing this report, the business rate estimates for 2022/23 are being prepared. The 2022/23 estimate includes the forecast Collection Fund balance for 2021/22. This report assumes no change to the forecast reported to Cabinet in October 2021 of £3,424,000. An update will be provided by the Deputy Chief Executive at the meeting.

Estimated Council Tax Base 2022/23 and forecast Collection Fund balance for 2021/22

2.14. Each year the Council estimates the size of the Council Taxbase. The Taxbase is calculated as the number of dwellings in the District equivalent to “Band D” Council Tax properties. For example, a Band H property pays twice the amount of Council Tax as a Band D property. In Taxbase terms, this property is worth 2 Band D properties. The Taxbase is reduced to allow for the cost of the Local Council Tax Support Scheme and other exemptions and discounts. The Taxbase is increased for empty properties which incur a premium.

2.15. The draft 2022/23 budget assumed a Taxbase of 42,350.3. The detailed calculation of the Taxbase was carried out in October 2021. The result was a Taxbase of 42,192.9. The lower Taxbase reflects an increase in the number of single person households (where an occupier is entitled to a discount of 25%), an increase in the impact of Local Council Tax Support payable as a result of the economic conditions in 2022/23 and promotion of the support available to low income households in the District. In addition, growth in housing supply has been slower than previously expected. This has resulted in a reduction of income from Council Tax of £22,655.

2.16. The Localism Act 2011 introduced a power for the Secretary of State for Communities and Local Government to issue principles that define what should be considered as excessive Council Tax, including proposed limits. The principles are subject to approval by the House of Commons. From 2013 onwards, any Council that wishes to raise its Council Tax above the limit that applies to it will have to hold a referendum.

2.17. For this Council, the Government is proposing a maximum Council Tax increase of 2% or £5 for 2022/23, whichever is the higher. The budget for 2022/23 proposes a Council Tax increase of £5. The Collection Fund is the account where Council Tax income is recorded. This income is then paid out to the "precept" authorities, i.e. Gloucestershire County Council, Gloucestershire Police and Crime Commissioner, this Council and those Town and Parish Councils which have requested a precept for the year.

2.18. Each year the Council forecasts whether its collection of Council Tax will be higher than anticipated, resulting in a "surplus" on the Collection Fund, or lower than anticipated, resulting in a "deficit" on the Collection Fund.

2.19. Where this Council forecasts a surplus on the Collection Fund, the surplus is paid out in the following financial year to the County Council, Police and Crime Commissioner and the District Council in proportion to their respective level of precept for the financial year. Similarly, where the Council forecasts a deficit, the deficit is recovered proportionately from the three major preceptors in the following financial year. Collection Fund surplus or deficit is not passed on to the Town and Parish Councils but is shared proportionately by the three major preceptors.

2.20. For 2021/22, the forecast Collection Fund balance is neutral (£0) with the income to the Collection Fund matching the value of the precepts paid out. The Government provided grant funding in recognition of the difficulty in collecting Council Tax in 2020/21 as a result of the Covid-19 pandemic. The budget for 2021/22 included an estimated grant of £96,000 to be applied at £32,000 across the three financial years from 2021/22 to 2023/24. The actual grant received was higher than estimated at £132,000. The means that the grant available for funding revenue in 2022/23 and 2023/24 has been increased to by £18,000 to £50,000 for the next two financial years.

2.21. In January 2022, Cabinet approved a change to the Council Tax Exemptions Policy. The revised policy is expected to increase Council Tax income to the Council by £35,000.

2.22. The draft 2022/23 budget assumed Council Tax income of £6,180,424. This was based upon an estimated Tax Base of 42,350.3, a £5 increase to Band D Council Tax, a Collection Fund surplus of £53,000 and application of £31,941 of Government grant to compensate for the impact of Covid-19. Since October, the following changes have impacted upon Council Tax income for 2022/23:

Changes to Council Tax income 2022/23	
Draft Budget September 2020	**£6,180,424**
Formal Council Tax Base Calculation	(£22,655)
Collection Fund Deficit, net of Government grant,	(53,000)
Council Tax Exemption Policy Change	£35,000
Additional Government Grant for impact of Covid-19 on collection in 2020/21	£18,000
Revised Income from Council Tax	**£6,157,769**
Reduction in Council Tax income	**£22,655**

2.23. Since the draft budget in October 2021, income from Council Tax related funding has reduced by £22,655.

Budget changes since draft Budget proposals in October 2021

2.24. In November 2021, HM Treasury published a comparison of independent inflation forecast for the UK economy. Over the medium-term inflation is forecast as follows:

	2022 %	2023 %	2024 %	2025 %
Consumer Price Inflation	4.0	2.6	2.5	2.3
Retail Price Inflation	5.8	4.1	3.7	3.5

2.25. The MTFS considered by Cabinet in October 2021, included provision for inflation of 2.0% in each year of the MTFS. Given the forecast above, the MTFS has been updated to include pay inflation at 2.5% over the life of the MTFS. There is a risk that pay award inflation in 2022/23 could be higher than 2.5% and this has been considered in the Chief Finance Officers risk assessment of the 2022/23 budget proposals. The change in this assumption has increased the Council's budget as follows:

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Impact of increasing inflation provision	332	117	116	114

2.26. The contract sum payable to Ubico has been reviewed using a zero based accounting basis. The impact of inflation on the Ubico contract sum is £355,000. This is an increase of £140,000 on the inflationary provision included within the MTFS in October 2021. The additional growth relates to the provision for a 2.5% pay award, additional costs of the vehicle driver market forces supplement and increased National Insurance contributions.

2.27. Households in the District are continuing to present high levels of garden waste and recyclate. In order to collect this waste Ubico needs to continue to operate additional collection rounds. The cost of these additional rounds is £360,000 per annum. As part of the Environmental Services Improvement Programme, the Commissioning Team are working with Ubico to deliver services more efficiently and to reduce the cost of the service. For 2022/23, funding for the addition rounds has been provided through the Council Priorities Fund earmarked reserve. To avoid this additional cost becoming part of the annual revenue budget changes will have to be made to the way the waste and recycling service operates. These changes may include cross-border working or collecting waste and recyclate in a different way.

2.28. The Contract sum payable to Publica has been reviewed. The impact of inflation on the Publica contract sum is £352,000. The inflation provision has increased by £107,000 since the October MTFS update to reflect the potential of a 2.5% pay award rather than a 2 % pay award.

2.29. Provision for inflationary impact upon Council employee costs, Member's allowance and supplies and services budgets has been increased by £85,000.

2.30. In November 2021, the Council completed the procurement process for its insurance arrangements. Officers worked hard to minimise the impact of challenging market conditions on the cost of insurance arrangements for the Council. The revenue budget needs to provide for unavoidable cost pressure of £44,000 for insurance arrangements.

2.31. In December 2021, the Council advanced the procurement process for its gas and electricity supply broker, in the expectation of completion in January 2022. Market conditions are extremely challenging and the cost of these utilities is expected to increase by £7,000. The Council is maintaining its current practice of purchasing electricity generated from renewable sources through the use of traceable Renewable Energy Guarantees of Origin (REGOs). This policy has minimal impact on the cost of electricity, but means that the Council use of electricity is not at the expense of the environment.

2.32. A review of business rates payable against budgetary provision has identified that the Council can reduce provision for the cost of Business Rates payable on Council property assets by £13,000.

2.33. Budget monitoring in 2021/22 has identified that the budget for discretionary pension fund contributions to the Gloucestershire Local Government Pension Scheme can be reduced by £110,000.

2.34. The budget for the cost of recycling materials processing costs was increased in 2021/22 to reflect the impact of the Covid-19 pandemic on the volume of recyclate presented by households. The actual cost in 2021/22 indicates that this budget increase was overly pessimistic. It is proposed that the budget is reduced by £78,000 in 2022/23 to reflect current market conditions and material volumes.

2.35. The Council's lease arrangement for coach parking at Bourton-on-the-Water village has now ended. A saving of £22,000 can now be recognised in the revenue budget.

2.36. In October 2021, the draft budget for 2022/23 include a provision for a 10% reduction in demand for car parking in the District, an income loss of £250,000. Experience in September, October and November 2021 has seen demand at 85%; 5% lower than assumed in the draft budget. It is proposed therefore to increase the provision for reduced income from car parking to £400,000. The assumption that demand will recover back to the level experienced prior to the Covid-19 pandemic over the next two years has been maintained.

2.37. Rental income from a property owned by the Council in Dyer Street in Cirencester has previously been saved in to an earmarked revenue reserve to be used to fund repairs required to the property. In November 2021, Cabinet has approved use of the reserve for roof repair works on the property. From 2022/23, the net rental income of £130,000 can now be recognised in the Revenue Budget. Rental income from other commercial properties has also increased by £11,000. In total, the budget for investment property rental income in 2022/23 is increased by £141,000.

2.38. In July 2021, Council approved a loan arrangement with Cottsway Housing Association Ltd. As part of a review of the Capital Programme, it is possible to finance the loan through the use of Capital Receipts. This enables the interest payable to the Council on the loan of £60,000 to be included within the revenue budget for 2022/23.

2.39. The Council's contract with its leisure services provider includes an increase to the Management Fee payable to the Council of £26,000.

2.40. The Council's leisure contract provides for rental income generated at the Cirencester Leisure Centre to be shared between the contractor and the Council. Additional income of £12,000 from the lease of commercial space can now be recognised in the revenue budget.

2.41. The draft budget included savings of £795,000. A review of the savings programme has identified that an increase of £27,000. Further information on the plans to deliver these savings is set out at 2.45 to 2.48.

Capital Programme

2.42. The Capital Programme has been reviewed to include new investments agreed by the Council since the draft budget proposals in October 2021 and to reflect revisions to the financial year in which investments are expected to take place. The updated Capital Programme is included within the Capital Strategy at **Annex B**.

2.43. The 2021/22 Capital Programme includes projects of £499,000 which are planned to be financed through borrowing. The Council is required to make a Minimum Revenue Provision (MRP) for the eventual repayment of borrowing. The cost of MRP and interest on borrowing undertaken in 2021/22 requires an increase to the revenue budget of £136,000.

2.44. The changes to the draft revenue budget for 2022/23 are set out below:

2022/23 Revenue Budget	Income Change £000	nditure Change £000	Total £000
Increased Government funding – Provisional Local Government Settlement	(54)		**(54)**
Reduced Council Tax income	23		**23**
Increased provision for inflation		332	**332**
Increase in cost of insurance		44	**44**
Increase in cost of gas and electric utilities		7	**7**
Reduced cost of Business Rates on Council property assets		(13)	**(13)**
Realignment of the budget for Discretionary Pension Fund contributions		(110)	**(110)**
End of lease of coach park at Bourton on the Water		(22)	**(22)**
Reduced income from car parks linked to reduced demand	150		**150**
Commercial property income	(141)		**(141)**
Cottsway Loan Interest	(60)		**(60)**
Recyclate processing costs		(78)	**(78)**
Leisure contract Management Fee increase	(26)		**(26)**
Lease income Cirencester Leisure Centre	(12)		**(12)**
Increase to savings	(27)		**(27)**
Capital Financing – MRP and Interest		136	**136**
Changes to 2022/23 Budget since Oct 21	**(147)**	**296**	**149**
Revenue budget (surplus)/deficit October 21			(180)
Revised budget (surplus)/deficit			**(31)**

Balancing the Revenue Budget

2.45. The MTFS has been updated in light of the changes to the revenue budget and capital programme set out in this report. In order to balance the Council's revenue budget over the medium term, the Council will need to increase income or reduce the cost of service delivery.

The savings required to balance the revenue budget and the plans for delivering these savings are set out in the table below:

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Savings required to balance revenue budget	**822**	**3,824**	**2,062**	**2,160**
Plans to deliver budget savings				
Award based Government Funding outside of Fairer Funding Review	0	900	0	0
Environmental Services Improvement Programme	145	250	200	400
Policy Change				
Changes to car park charges and savings from move to cashless car parking fee collection	323	0	0	0
Garden waste collection charges – move to full cost recovery	264	0	100	0
Town and Parish election cost recovery	5	0	6	3
Total Policy Change	**592**	**0**	**106**	**3**
Recovery Investment Strategy				
Cottsway Housing Association Loan Interest	60	0	0	0
Investments related to addressing the Climate Change Emergency	0	2,000	1,300	800
Economic Development and use of Council assets to provide property lease income	0	600	300	600
Savings from service reviews within Publica	25	74	156	357
Total Recovery Investment Strategy	**85**	**2,674**	**1,756**	**1,757**
Total Plans to deliver budget savings	**822**	**3,824**	**2,062**	**2,160**

2.46. Following Council's approval of the MTFS and 2022/23 budget, the Council's Environmental Services Improvement Programme and the Recovery Investment Strategy will be updated to reflect the revised targets.

2.47. In order to deliver the additional income through the Recovery Investment Strategy, the Council needs to provide sufficient capital funding. The Council's Capital Programme and Capital Strategy has been updated to include £50 million for investment to support the Council's response to its Climate Change Emergency declaration and £25 million to invest in the provision of physical assets to enable economic development which will provide a lease income to the Council. The capital funding is profiled over the next three financial years as set out below:

Recovery Investment Strategy Capital	**2022/23 £million**	**2023/24 £million**	**2024/25 £million**
Investments related to addressing climate change emergency	25	15	10
Investments for economic development and use of Council assets	10	5	10
Total	**35**	**20**	**20**

2.48. The impact of the Minimum Revenue Provision for repayment of the borrowing and the interest charges are included in the MTFS and revenue budget proposals for 2022/23.

Revenue Budget proposals 2021/22 – Fees and Charges

2.49. The Council plans to continue with its budget resolution from February 2020 to increase garden waste service fees to make the service cost neutral. For 2022/23, this means implementing an increase to £47 for each bin licence. Demand remains high for this service and the overall revenue benefit from increased clients and moving the fee to a full cost recovery basis is expected to be £264,000.

2.50. On 10 January 2022, Cabinet approved changes to car park fees and charges, including charging for the period between 3 PM and 6 PM across the District. These changes are estimated to increase income to the Council by £300,000. In line with the Council's policy of reviewing car park tariffs and permit fees for inflation every two years, an inflationary increase has also been applied to car park tariffs and permit fees. This is expected to increase income by £100,000.

Impact upon General Fund Balance

2.51. In October 2021, Cabinet considered the draft 2022/23 budget which forecast a a budget surplus of £180,000. Since October 2021, changes to the 2022/23 budget and Government funding, set out in the Table at 2.44 have changed that position to a surplus of £31,175.

2.52. Full details of the impact of the Council's budget proposals upon General Fund Balance, revenue and capital reserves are set out in **Annex A.**

Capital Strategy, Investment Strategy and Treasury Management Strategy

2.53. Details of the proposed Capital Programme for the period 2022/23 to 2025/26 are set out in the Council's Capital, Investment and Treasury Management Strategies at **Annex B, C** and **D**. The Capital Programme has been reviewed to include new investments agreed by the Council since the draft budget proposals in October 2021 and to reflect revisions to the financial year in which investments are expected to take place. The funding available to support the Recovery Investment Strategy has also been updated in line with the information in the table at 2.47.

2.54. In December 2021, the Chartered Institute of Public Finance and Accountancy (CIPFA) revised the Prudential Code and the Treasury Management Code of Practice. These changes to the Code came in effect from 20 December 2021. CIPFA particularly highlights that the requirement that *"local authorities must not borrow to invest primarily for financial return"* applies with immediate effect. Full compliance with the changes to reporting requirements is not required until 2023/24. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments. There are also various tweaks to the capital Prudential Indicators. The Audit Committee is considering a report on the changes to the Codes at this meeting.

Local Climate Bonds

2.55. In July 2021 the Council committed to issue a Local Climate Bond using the Community Municipal Investment ("CMI") model. Officers have been working in partnership with an experience partner, Abundance, on proposals for the first Local Climate Bond issue. Abundance has managed the issue of bonds in Swindon, Leeds, West Berkshire, Warrington and Islington councils.

2.56. The draft Treasury Management Strategy proposes that the Council issues £1 million of Local Climate Bonds at an interest rate of 1.18% for five years. The Council will pay Abundance an arrangement fee of £2,500 and an annual fee of £500 per annum. The total fees payable to Abundance over the five years are £5,000, these fees will be charged to the revenue account at £1,000 per annum. The £1,000 cost of raising finance through the Local Climate Bond will be offset by paying a lower interest rate than the rate available through the PWLB Certainty Rate (currently 1.88%).

2.57. An interest rate of 1.18% is considered to be attractive to investors as it is higher than the interest rate available on cash deposits and returns on gilts; for example, a three year National Savings and Investment Green Savings Bond is currently paying 0.65%.

Review of Earmarked Reserves

2.58. The proposed use of the Council's Earmarked Reserves was set out in the Cabinet report in October 2021. Since then Cabinet has approved the use of £12,000 to transfer the car park enforcement service from the current service provided to Publica to be managed as an in-house service. In addition £13,000 has been approved for commissioning feasibility work on options for roof insulation for the Trinity Road offices.

2.59. The Council holds a Council Priorities Fund revenue reserve. This funding is available for investment in initiatives which support delivery against the Council's priorities. Details of commitments against the Council Priorities Fund is included in the Medium Term Financial Strategy at **Annex A.**

2.60. The Council Priorities Fund is now largely allocated and new initiatives will require Members to review existing commitments against earmarked reserves and to reallocate funds accordingly.

3. FINANCIAL IMPLICATIONS

3.1. The Council's Medium Term Financial Strategy has been updated to reflect the proposals set out in this report and is attached at **Annex A.**

3.2. A summary of the impact of the budget proposals for 2022/23 is set out below:

Summary of changes to the Council's Net Budget Requirement	**£**
Original Net Budget Requirement 2021/22 (as approved by Council in February 2021)	**12,557,015**
Inflationary Pressure – expenditure budgets	837,500
Unavoidable budget pressures, investment in Priorities expenditure and accounting changes (net decrease)	198,945
Inflation on fees and charges income	(100,000)
Unavoidable budget pressures – income	(76,242)
Savings	(822,000)
Net Budget Requirement 2021/22	**12,595,218**

3.3. The Council's net budget requirement will be funded as follows:

	£	**£**
Net Budget Requirement 2022/23		**12,595,218**

Net Business Rate Income	3,424,000	
Council Tax payers @ £143.93 Band D	6,107,828	
Government Grants - Council Tax impact of Covid-19	50,000	
New Homes Bonus	810,236	
Rural Services Delivery Grant	632,183	
Lower Tier Services Grant	1,472,660	
Services Grant	129,486	
Total Funding		**12,626,393**
Budget Surplus		**31,175**

3.4. The budget proposals assume a budget surplus of £31,175. This surplus will be contributed to the General Fund Balance.

4. LEGAL IMPLICATIONS

4.1. None directly as a result of this report.

5. RISK ASSESSMENT

5.1. Details of national and local risk which may impact upon the financial sustainability of the Council are set out within the Medium Term Financial Strategy at **Annex A**.

6. ALTERNATIVE OPTIONS

6.1. The Audit Committee is asked to consider the MTFS, Capital, Investment and Treasury Management Strategies and to provide feedback to the Cabinet and Council as part of the 2022/23 budget setting process.

6.2. On 1 February 2022, the Overview and Scrutiny Committee will consider these budget proposals and will be encouraged to provide feedback to the Cabinet, which may include alternative options.

6.3. Cabinet will consider this report together with feedback from the Overview and Scrutiny Committee and the Audit Committee and will determine the final budget proposals to be presented to Council for consideration.

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Cotswold District Council

Medium Term Financial Strategy

2022/23 to 2025/26

Introduction

The Council approved a new Corporate Plan for the period 2020 to 2024 in September 2020. The Plan sets out the Council's aims, priorities and principles.

"Aim, priorities and principles

Cotswold District is at the heart of the larger area of the Cotswolds – an area that's known around the world for its natural beauty and heritage. Around 84,000 people call our district home, and they deserve the services and support that a progressive council can provide.

This corporate strategy recognises and embraces the challenges facing the district, and states our aims and ambitions. It is underpinned by a set of action plans that describe in detail how we plan to deliver these ambitions.

Our aims is to recreate a council that's proactive and responsive to the needs of our residents and businesses in a fast-changing environment, and to build for the future while respecting our heritage.

We will do this by:

- *delivering our services to the highest standards*
- *responding to the challenges presented by the climate crisis*
- *providing good quality social rented homes*
- *presenting a local plan that's green to the core*
- *helping residents and communities access the support they need for good health and wellbeing*
- *supporting businesses to grow in a green, sustainable manner, and to provide high value jobs*

Our principles:

Everything we do is built on the following principles:

- *rebuilding trust and confidence in the council by promoting a culture of openness and transparency*
- *providing value for money for our residents and businesses by using our resources wisely and investing in the district's fabric and future*
- *listening to the needs of our community, and acting on what we hear."*

The Council has an ambitious agenda and this Medium Term Financial Strategy sets out the financial parameters in which to deliver the Council's Corporate Plan. Investment in Council Priorities will be through:

- Capital programme investment, for example, delivery of new social housing, installation of facilities for charging electric vehicle, partnership working to deliver green energy generation;
- One-off revenue funding from Council reserves for projects, for example, reviewing the Local Plan to make it green to the core, temporary extra resource to develop a green travel plan;
- A permanent increase to the Council's revenue budget to provide additional resources in priority service areas, for example, funding a post to lead on the Council's response to its climate change emergency declaration.

Annex A1-4 sets out the details of the Council's plans for revenue income and expenditure, capital income and expenditure and earmarked reserve funded expenditure.

Service Provision

The Council has a small Management Team of directly employed officers who support the Council and who work with service providers to deliver the Council's priorities. The Council uses a number of local authority owned companies to deliver the majority of its services. Publica Group (Support) Ltd provides commissioning advice and support to the Council as well as directly providing many services. Ubico Ltd provides waste collection, street cleansing and other environmental services. SLM provides the Council's leisure and cultural services across the District.

The 2021/22 contract costs for these significant partners are:

Publica £9.4 million

Ubico £7.0 million

SLM provides a contribution to the Council of around £100,000 per annum. However, SLM has been significantly impacted by the Covid-19 pandemic as fewer customers were able to attend the leisure centres and the Corinium Museum. In order to ensure that these facilities, which are vital to residents' physical and mental health and well-being, were able to re-open, in line with national policy, the Council has waived the income from this contract and also provided additional financial support to the contractor for the period from April 2020 to July 2021.

Financial Context

The Council's current (2021/22) service provision costs £24.2 million each year and is funded by:

Fees, charges and grants for specific services	£11.6 m	48%
Retained Business Rates	£3.3 m	14%
Rural Services, New Homes Bonus and Lower Tier Government Grants	£3.4 m	14%
Council tax	£5.9 m	24%

At the end of the last financial year, on 31 March 2021, the Council held capital resources of £8.5 million, revenue reserves of £16.6 million and a General Fund balance of £0.9 million.

The Council set its 2020/21 budget In February 2020, prior to the Covid-19 pandemic. The budget was expected to increase the General Fund Balance by £212,000. The impact of the pandemic on the Council's finances resulted in a reduced operating surplus of £22,000, a net cost of £190,000.

In 1997, the Council transferred its social housing to a registered provider. Following the transfer, the Council was debt free and held significant levels of capital receipts and revenue reserves. Since 1997, the capital and revenue reserves have funded projects and investments have contributed towards the delivery of the Council's priorities. The Council is now facing the prospect of borrowing to fund capital investment for the first time since the housing stock transfer.

For a full picture of the Council's financial management, this Financial Strategy should be read together with the Council's Capital, Investment and Treasury Management Strategies. Further information on how the Council plans to deliver its Priorities is contained within the following strategies:

- Green Economic Growth Strategy approved on 7 December 2020
- Climate Emergency Strategy approved on 23 September 2020
- Recovery Investment Strategy approved on 23 September 2020

This Medium Term Financial Strategy sets out the financial envelope within which the Council will deliver its Priorities.

National and Local Financial Risks

Fairer Funding Review

The Government decides how to spend income generated from taxation through a Spending Review. The Spending Review announced in 2021 covers the three year period from 2022/23 to 2024/25. The Spending Review determines the overall funding available for each Government Department. The Department for Levelling Up, Housing and Communities (DLUHC) is responsible for the allocation of its share of funding from the Spending Review to individual councils.

For a number of years DLUHC, previously the Ministry for Housing, Communities and Local Government (MHCLG), has been conducting a "Fairer Funding Review" to change the method of allocating funding to individual councils. The outcome of the Fairer Funding Review was to be implemented in the 2021/22 financial year. For various reasons, including the negotiation of the UK's exit from the European Union and responding to the Covid-19 pandemic, MHCLG delayed consultation upon and implementation of the Fairer Funding Review.

In his statement on the Provisional Local Government Statement, the Secretary of State for Levelling Up, Housing and Communities referred to future changes to Local Government funding as follows:

"Government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. The data used to assess this has not been updated in a number of years, dating from 2013-14 to a large degree, and even as far back as 2000. Over the coming months, we will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes.

As part of this we will look at options to support local authorities through transitional protection. Councils should note the one-off 2022/23 Services Grant provided in the Local Government Finance Settlement in 2022/23 will be excluded from potential transitional protections."

The Council has been planning for this change of funding for several years and the MTFS includes the possible impact of reduced Government funding and includes savings targets to address the reduced funding.

Business Rates Retention

The Council administers Business Rates (National Non Domestic Rates) of around £44.7 million per annum on behalf of the Government. The Council retains some Business Rates income as part of its core Government Funding. For the 2021/22 financial year, this amounts to £3.3 million.

In 2013, the Government implemented the Business Rates Retention Scheme for local authorities. Each year DLUHC sets the "baseline" funding for local authorities from business rate retention. For this Council, the baseline funding for 2021/22 is £1.9 million. As part of the Business Rate Retention Scheme, the Council shares business rate income growth with Government on a 50/50 basis. The Cotswold District has seen a significant increase in income from business rates since 2013 as the economy has grown. The growth retained by this Council now represents £1.4 million of additional Government funding over the £1.9 million baseline.

For 2022/23 the baseline funding level remains at £1.9 million. The retained growth above baseline is forecast to grow to £1.5 million.

The Fairer Funding Review will reset this Council's level of Business Rate Retention. It is also likely that the share of the gain from economic growth will change. For both of these reasons, the Council is facing a significant risk that its core Government funding will fall sharply - a financial 'cliff-edge'.

New Homes Bonus

Another part of the Council's core government funding comes from New Homes Bonus. This grant is a reward to Councils for delivery against the Government's national priority of increasing the number of homes. The value of the grant depends upon the increase in the Council's "Council Taxbase".

Originally, New Homes Bonus grant was paid for a period of six years. In later years, the period that the grant was payable for was reduced to four years. The grant for 2021/22 was payable for one year only. Funding from the New Homes Bonus Scheme is being reviewed as part of the DLUHC Fairer Funding Review.

The value of New Homes Bonus to the Council in 2021/22 is £2.1 million. For 2022/23, DLUHC have announced a further round of funding which is being provided for 2022/23 only. The MTFS reflects that the Bonus will reduce, so that only the "legacy" grant payment from 2019/20 of £0.7 million and the 2022/22 award of £0.1 million will be due in 2022/23, totalling £0.8 million.

Given that the Government still wishes to increase the supply of new homes nationally, it is likely that there will be an alternative funding stream from the Government related to the local provision of housing.

The Council's plan for addressing reduced Government funding is set out in the Recovery Investment Strategy. This Strategy assumes there will be some replacement funding from Government for New Homes Bonus. Should this not be provided, the Council will need to increase income or find alternative savings.

Cost of service delivery in a rural area

The Council covers a large geographical area, some 450 square miles, with many small towns and villages. This low population density means that the cost of delivery of Council services at a local level is high. For example, the Council collects recycling and waste from every property in the District, meaning that our vehicles need to travel many miles per household. This means that the Council requires more vehicles and operatives to deliver the service per household than in urban areas where households are closer together.

The Government has recognised this cost driver and has provided Rural Services Delivery Grant funding since 2016. For 2021/22 the grant is worth £0.6 million on top of funding from Retained Business Rates. The Provisional Local Government Settlement has confirmed that this grant will remain available in 2022/23. The implementation of the Fairer Funding Review puts this funding at risk from 2023/24.

Covid-19 impact upon income and costs

The Council set its budget for 2020/21 on 26th February 2020, just before the first Covid-19 lockdown. Demand fell for the Council's income generating services from early in March 2020, and this decline accelerated following the announcement of the first lockdown on 23 March 2020. The Council's service related income continued to be impacted throughout the year and in to 2021/22.

In addition to reduced service income, the Council also faced pressure on its expenditure budgets. In particular, providing emergency accommodation for individuals and families facing homelessness; collecting additional waste and recyclable materials presented by households and ensuring that the Council's leisure contractor was able to fulfil its contractual obligations.

The Council regularly reported the impact of Covid-19 on its finances to the Government. In response the Government provided grant funding in recognition of expenditure pressures and compensation for income losses.

The financial impact of Covid-19 was felt across the Council's services and therefore across many of the 2020/21 service budgets. In September 2020, Council approved a revised budget for 2020/21 which:

- revised income budgets to reflect forecast service income for 2020/21;
- revised expenditure budgets to reflect additional cost pressure in 2020/21;
- incorporated the initial three tranches of funding received from Government for Covid-19 and the promised support for income losses; and
- set out revised funding for the 2020/21 budget.

The overall impact of Covid-19 in 2020/21 was a net cost of £190,000 to the Council which was funded through the General Fund.

The basis for the 2021/22 budget was the original 2020/21 budget. However, it reflected the ongoing impact of Covid-19 on income and expenditure and Included Government funding for Covid-19 cost pressure and compensation for the impact of lost income from sales, fees and charges for the period April to June 2021.

Financially, income from the Council's cash investments fell significantly due to interest rate reductions as interest on cash deposits fell from around 1% to 0.4% per annum. However, this also provides the opportunity for the Council to reduce its borrowing costs either by using some of its cash balances to provide cash flow for some of its planned capital expenditure (rather than raising finance from external borrowing) or entering into loans at historically low interest rates. Further information on the Council investments and borrowing plans are set out in the Capital, Investment and Treasury Management Strategies.

Development of the Proposed Budget 2022/23 and Medium Term Financial Strategy

The basis of the 2022/23 budget is the budget for2021/22, excluding the changes required to reflect the impact of Covid-19. The budget for 2022/23 and the MTFS reflects the following:

1. The impact of inflation;
2. Investment in Council Priorities;
3. Provision for the ongoing impact of Covid-19;
4. Unavoidable budget pressures;
5. Planned savings;
6. Changes to income from fees and charges and Government grants for specific services;
7. Changes to Government funding;
8. Estimates of the Council Taxbase and the Council's Council Tax proposal;
9. Estimates of income from Business Rates Retention;
10. Changes to the Capital Programme; and
11. Use of revenue reserves;

The Council engages with its partners in Publica and Ubico to develop its budget proposals. A detailed analysis of all of the changes to the budget over the life of the MTFS is included in **Annex A**. Details of key items in the 2022/23 budget and plans for 2023/24 to 2025/26 are set out below:

1 Impact of inflation

The Council has provided for inflation on salaries for Council and Publica employees and allowances for Members in 2022/23 based upon an assumed local government pay award of 2.5%. The pay award offer of 1.75% for 2021/22 is still under negotiation, the baseline 2021/22 budget has been uplifted to reflect the current offer.

In November 2021, HM Treasury published a comparison of independent inflation forecast for the UK economy. Over the medium-term inflation is forecast as follows:

	2022 %	2023 %	2024 %	2025 %
Consumer Price Inflation	4.0	2.6	2.5	2.3
Retail Price Inflation	5.8	4.1	3.7	3.5

As pay inflation is linked to the rate of inflation in the economy, the MTFS assumes pay inflation of 2.5% from 2022/23 and that inflation will continue at that level for the remainder of the life of the MTFS.

Inflation in the Ubico environmental services contract reflects employee pay award inflation, and additional costs of repairs and maintenance to the vehicle fleet as the fleet ages.

2 Investment in Council Priorities

Over the term of the Council from 2019 to 2023, the Council is planning to invest in its Priorities as follows:

a. **£750,000 towards addressing climate change**

This funding will kick-start the action plan to make the Cotswold District “green to the core”. Actions include:

1 encouraging residents to switch to electric vehicles by delivering charging points across the district;
2 reviewing our use of offices and buildings as large numbers of staff continue working from home;
3 identifying opportunities to use our assets to support our climate strategy;
4 minimising costs so we can use more of our funding in support of climate action.

b. **£740,000 towards reviewing the local plan**. The outcome is to ensure new developments in the District suit the needs of communities and protects the District landscapes and heritage.

c. **£400,000** for investment in feasibility studies and other work to support the provision of social housing built to carbon zero.

d. **£200,000 to improve the cleanliness and appearance of the District** through the Clean and Green Programme.

e. **£100,000** to plan and develop better, greener transport options in the District, including cycle and walking routes and innovative bus options.

f. **£35,000** each year to continue to fight against fly-tipping

g. **£25,000** towards a review of open space on new developments, working with builders and residents on new public open space.

h. **£23,000** towards helping individuals with complex needs, who are facing homelessness to access secure accommodation and support.

i. **£350,000** to fund the Recovery Investment Strategy which aims to make the Council's money go further and maximise support for the District in its recovery from Covid-19. Investment include:
   1 specialist skills and expert advice on how we can invest in the economic recovery of the district;
   2 giving our workforce access to training to build skills and knowledge fit for the new working environment created by Covid-19;
   3 enabling the production of new truly green energy supplies in the district; and
   4 delivering additional social housing.

j. **£30,000** to engage with communities and encourage change in line with the Council's climate change emergency declaration.

k. **£30,000** to develop the Council's Leisure Strategy.

l. **£12,000** to fund one-off costs for transferring the car park enforcement services from a third party to management within Publica.

m. **£13,000** to conduct feasibility work on options for insulating the Council's Trinity Road office building roof to minimise carbon emissions.

n. **£360,000** provision for additional costs associated with waste and recycling services due to increased working from home related to the Covid-19 pandemic.

3 Provision for the impact of Covid-19

Covid-19 has continued to impact Council income and expenditure during 2021/22, due to the impact of national restrictions. The impact of embedded behaviour change, such as the continuation of working from home and the continued use of online shopping, on the Council's future revenue budget remains unclear. The 2022/23 budget includes a provision for reduced income from sales, fees and charges of £400,000. The MTFS assumes that this will not be a permanent change to the budget but will recover by 50% in 2023/24 and the Council's revenue will return to pre-pandemic levels from 2024/25. In addition, provision for additional costs of £360,000 for the collection of garden waste and recycling from households has been made available from the Council Priorities Fund for 2022/23.

The impact of Covid-19 on the collection of Council Tax and Business Rates in 2020/21 are shown in the Collection Fund account at the end of the 2020/21 financial year. Losses on the Collection Fund are usually "repaid" from the Council's revenue account in full in the following financial year. The Government has provided for losses in 2020/21 to be spread over the following three financial years – 2021/22 to 2023/24. This change of practice is reflected in this Strategy.

4 Unavoidable budget pressures

In addition to inflationary pressure, the Council monitors external factors which impact upon its budget. Unavoidable funding pressure arises from the following:

a. Complying with financial reporting requirements. For example, providing for the payment of interest and repayment of borrowing related to the Capital Programme (Minimum Revenue Provision);
b. Changing market conditions. For example, the processing cost of recycling materials, the impact of lower interest rates on Council investment returns and reducing demand for Council services which lowers income from fees and charges;
c. Decisions taken by other bodies which impact upon this Council. For example, any County Council decisions related to waste disposal which impact upon collection arrangements for waste and recycling;
d. Changes to the Government legislation or regulation. For example, changes to external audit regulations are increasing the work carried out by the Council's external auditors, who are therefore raising the external audit fee.

The most significant unavoidable budget pressures include:

a. £50,000 to replace the current part-time Monitoring Officer role with a full-time Director of Governance and Development role which will increase capacity within the Council leadership team to support delivery of Council Priorities and will include responsibility for Member development.
b. £47,000 to make permanent a resource to support economic growth in the District, recognising the value of work delivered since 2020.

c. £39,000 to reflect the cost of attracting and retaining drivers for the Ubico Ltd contract.
d. £70,000 for unavoidable growth in the costs of software maintenance, and cyber security enhancements. The software market is moving from one-off capital investment to annual charges. Investment in ICT in the Capital Programme has been reduced by £50,000 to acknowledge the move from capital to revenue costs. The net impact upon the revenue budget is £20,000.
e. £14,000 for the flood warden programme enabling the Council to provide a supportive role, whilst capitalising on the wealth of local knowledge and experience that can be harnessed through volunteer programmes.
f. £10,000 for the Council's contribution to Active Gloucestershire which delivers projects using the "we can move" approach that aims to increase physical activity levels in the District.
g. £44,000 for increases cost of insurance policies.
h. £7,000 for the rising energy prices

To offset some of these unavoidable cost increases, the following savings will also be included in the 2022/23 revenue budget:

a. £110,000 reduced requirement for contributions to the Local Government Pension Scheme.
b. £22,000 due to the end of a property lease.
c. £13,000 to reflect the reduced cost of Business Rates payable on certain Council owned properties.
d. £78,000 reduced recycling processing costs.

The Council is also able to recognise additional income in its revenue budget from 2022/23 as follows:

a. £26,000 from the Council's leisure contract.
b. £12,000 for lease income from the Cirencester Leisure Centre
c. £141,000 from other commercial property leases
d. £60,000 from interest on a short-term loan to Cottsway Housing Association.

Details of all budget pressures and changes to income budgets over the life of the MTFS are set out in **Annex A2**.

5 Planned Savings

The Council has included the following savings targets over the life of the Financial Strategy:

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Savings	822	3,824	2,062	2,160

These savings will be delivered through:

1. changes to Council policies, which increase income or reduce the cost of service provision;
2. return on investments made to support delivery of the Council Priorities;
3. efficiencies delivered through the Council's service delivery partners;
4. new Government funding streams; or
5. changes to the Council's asset portfolio.

A tactical plan for delivery of these savings is included in the Recovery Investment Strategy.

The Council will seek to maximise the use of the land and property assets it owns to support delivery of the Council priorities. The Council will also seek to work in partnership with other public sector service providers to make best use of the public estate within the District and the County.

The Council will consider business cases for the acquisition, disposal or enhancement of assets including the contribution towards Council Priorities, financial implications, risk, legal and governance matters. The Council will ensure that appropriate due diligence is carried out in line with the requirements set out in the Council's Capital Strategy.

6 Fees, charges and Government grants for specific services

The Council charges for many of the services it provides including car parking, planning advice and garden waste collection. The Government sets some fees, such as planning application fees. Where the Council has the discretion to set its own fees, the Council will charge for these services to ensure they are not subsidised by other taxpayers. The Council may decide to subsidise some fees and charges. Reasons for this will be clearly set out and will be subject to decision by councillors.

<u>The budget proposals for 2022/23 include the following change to fees and charges:</u>

The Council plans to continue with its budget resolution from February 2020 to increase garden waste service fees, over a three year period, so that the Council is recovering in full the cost of service provision. For 2022/23, this means implementing an increase to £47 for each bin licence. The revenue benefit is expected to be £264,000.

The Council resolved in 2020 to review car park charges every two years. On 10 January 2022, Cabinet approved changes to car park fees and charges, including charging for the period between 3 PM and 6 PM across the District. These changes are estimated to increase income to the Council by £300,000. In line with the Council's policy of reviewing car park tariffs and permit fees for inflation every two years, an inflationary increase has also been applied to car park tariffs and permit fees. This is expected to increase income by £100,000.

7 The Provisional Local Government Settlement 2022/23

The Department for Levelling Up, Housing and Communities (DLUHC) has used the outcome from the Spending Review to set the Provisional Local Government Finance Settlement 2022/23. The Local Government Finance Settlement, announced 16 December 2021, proposes Government funding for individual councils.

The key announcements for district councils included:

- Nationally, an above inflation cash increase of 6.9% has been announced; however, this is different for individual councils. For Cotswold District Council, the settlement is essentially a flat roll-over from 2021/22.
- Councils impacted by "negative Revenue Support Grant", which includes this Council, continue to be protected from this funding cut;
- New Homes Bonus funding will continue for 2022/23 but the grant will be for one-year only. The 2021/22 New Homes Bonus grant remains payable for that year only, so will not continue in 2022/23. Prior to 2020/21, New Homes Bonus grant was awarded for multiple financial years, initially six years and latterly four years. A consultation paper on the future of New Homes Bonus is due to be published shortly with an indication that changes will be implemented in 2023/24;
- Rural Services Delivery Grant continues in 2022/23;
- A new Services Grant has been introduced in 2022/23 and will be payable for one year only. This Grant includes funding for the national increase to National Insurance Contributions. This grant will be excluded from potential "transitional protection" as the Government implements changes to local government funding. This change is expected to take place from 2023/24.
- The Lower Tier Services Grant which was introduced in 2021/22 to ensure that no local authority saw an overall reduction in Core Spending Power in 2021/22 continues in 2022/23. Core Spending Power includes income from Retained Business Rates, Council Tax, Lower Tier Support Grant, New Homes Bonus, Rural Services Delivery Grant and the new Services Grant.
- Disabled Facilities Grant funding will continue at current levels;
- The Government delayed changes to local government funding from the Fairer Funding Review and Business Rate Retention Scheme for a year to April 2023.

In October, the Council's draft budget for 2022/23 prudently included only legacy New Homes Bonus Grant from 2019/20 as the future of New Homes Bonus was uncertain. In terms of overall Government funding, it was assumed that funding would be broadly neutral but that increased income from a Council Tax increase would be considered as part of core Government Funding and cash funding from the Government would fall in line with the Council Tax increase.

The impact of the Provisional Local Government Settlement on the Council's revenue budget for 2022/23 compared to 2021/22 is set out below:

Government Funding	**2021/22 £000**	**2022/23 £000**	**Change £000**
Retained Business Rates	3,280	3,424	144
Lower Tier Services Grant	691	1,473	782
Rural Services Delivery Grant	632	632	0
New Homes Bonus	2,093	810	(1,283)
Services Grant	0	129	129

Total Government Funding and the cut compared to 2021/22	**6,696**	**6,468**	**(228)**

The 2022/23 revenue budget funded by core Government funding has therefore reduced by £228,000.

8 Council Taxbase and Council Tax Proposal

The Council's current (2021/22) Council Tax for a Band D property is £138.93 for the full year. Each year the Government sets the maximum increase that a council may apply without requiring a local referendum. For district councils in 2022/23, the maximum increase is 2% or £5, whichever is the higher.

In order to deliver against its Priorities, the Council has recognised the need to generate income to fund investment in Council services. The Council therefore proposes implementing the maximum increases to Council Tax, allowable without holding a referendum, over the life of the MTFS.

For residents on low income, the Council has a Local Council Tax Support Scheme available to provide financial support with Council Tax payments. The Scheme was revised for 2020/21 to make it more generous.

The MTFS assumes a growth in the Council Taxbase of 1.2% over the life of the MTFS. The Taxbase for 2022/23, however, has grown at a lower rate of 0.8%. The lower Taxbase reflects an increase in the number of single person households (where an occupier is entitled to a discount of 25%), an increase in the impact of Local Council Tax Support payable as a result of the economic conditions in 2022/23 and promotion of the support available to low income households in the District. In addition, growth in housing supply has been slower than previously expected.

The outcome from a £5 Council Tax increase (for Band D properties) and growth in the Taxbase is forecast to deliver an increase in overall income from Council Tax in 2022/23 of £259,000. The proposed increase to Council Tax for 2022/23 for each Council Tax band is set out in the table below:

Council Tax Band	Proportion of Band D	Proposed increase 2022/23
A	6/9	£3.33
B	7/9	£3.88
C	8/9	£4.44
D	9/9	£5.00
E	11/9	£6.11
F	13/9	£7.22
G	15/9	£8.33
H	18/9	£10.00

9 Retained Business Rates

A key element of funding from the Government is from retained business rates. The MTFS assumes the Council will be compensated (through section 31 grant) for any negative impact upon business rates which relate to any nationally announced discounts or reliefs to businesses (such as the Covid Additional Relief Fund announced at the time of the Provisional Local Government Settlement).

The retained business rates scheme was due to be changed from April 2022. In November 2021, the Communities Secretary announced that plans to reform the Business Rates Retention Scheme to enable councils to retain 75% of their business rates would conflict with the Government's levelling up agenda and that the government would now "proceed with caution" on the issue. In his statement on the Provisional Local Government Statement, the Secretary of State for Levelling Up, Housing and Communities referred to future changes to Local Government funding as follows:

"Government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. The data used to assess this has not been updated in a number of years, dating from 2013-14 to a large degree, and even as far back as 2000. Over the coming months, we will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes.

As part of this we will look at options to support local authorities through transitional protection. Councils should note the one-off 2022/23 Services Grant provided in the Local Government Finance Settlement in 2022/23 will be excluded from potential transitional protections."

The impact of the review on needs and resources will be reflected in the amount of business rates which can be retained locally by the Council. The MTFS has been updated to reflect forecast income from the revised Government funding scheme using advice from Pixel Financial Management who are providing expert advice to support local authorities and national bodies such as Sparse and the Local Government Association. The MTFS takes a prudent view of implementation in April 2023.

The Gloucestershire Business Rates Pool

The Gloucestershire Business Rates Pool was set up in 2013/14 to maximise the business rate income retained within the County and to support economic growth within the area of the Local Enterprise Partnership. Since 2013/14 the Pool has delivered the following surpluses/(losses):

	Pool Surplus/(Loss) £	Cotswold DC Share Surplus/(Loss) £
2013/14	774,862	25,156
2014/15	(2,336,565)	(228,988)

	Pool Surplus/(Loss) £	Cotswold DC Share Surplus/(Loss) £
2015/16	877,948	114,854
2016/17	2,138,143	275,600
2017/18	3,992,000	482,179
2018/19	14,270,000	497,975
2019/20	4,547,000	539,000
2020/21	3,572,000	403,000

For 2018/19, the Council was part of the Gloucestershire 100% business rates retention pool pilot, which included all of the Gloucestershire local authorities and aimed to maximise the retention of business in Gloucestershire. In return for the gain of retaining all of the growth above baseline funding within Gloucestershire, some of the central government grants such as Rural Services Delivery Grant and Revenue Support Grant were directly funded from the Business Rates Retention Scheme.

The results of the 100% pool pilot were very successful with county-wide gain being in excess of £14 million. Of this gain, 20% was set aside for strategic economic development, 50% was allocated to the County Council to reflect the higher risk to the County Council of being part of the pool and the remaining 30% was shared across the District Councils. The District Council gain was allocated according to growth at a District Level and an equal share of the pool proportion gain so that each District gained from being part of the pool.

For 2019/20 the pool was no longer a 100% pilot, and reverted to the original 50/50 pool. The windfall gain for this Council was allocated to the Council Priorities Fund for investment in priority projects.

The Gloucestershire Business Rates Pool continues in operation in 2021/22 and will continue for 2022/23. The MTFS assumes that any windfall gain associated with the Business Rates Pool will be allocated to the Council Priorities Fund.

Each year the Council forecasts whether its collection of Business Rates will be higher than anticipated, resulting in a "surplus" on the Collection Fund, or lower than anticipated, resulting in a "deficit" on the Collection Fund.

Where this Council forecasts a surplus on the Collection Fund, the surplus is paid out in the following financial year to the County Council (10%), Government (50%) and the District Council (40%). Similarly, where the Council forecasts a deficit, the deficit is recovered in the same proportions in the following financial year. Due to the impact of Covid-19 on Councils ability to collect Business Rates, Government is permitting the exceptional Collection Fund deficit in 2020/21 to be recovered over the following three financial years rather than in the whole deficit being funded in 2021/22.

The forecast for 2021/22 collection fund surplus or deficit, will be prepared in January 2022. This section of the MTFS will be updated with the forecast data and will be presented to Council in February 2022.

10 Capital Programme, Investment and Borrowing

The Council has set out its plans for investment in Council Priorities in various strategies including: this Medium Term Financial Strategy, the Climate Emergency Strategy and the Green Economic Growth Strategy. This investment is for service provision rather than investment to generate income to the Council. As such, the Council will be able to access borrowing from the Public Works Loans Board. The Council acknowledges that funding significant capital investment from its own internal resources is not possible and that external borrowing will be necessary. The Council is required to provide for the eventual repayment of debt from revenue. The Council's Recovery Investment Strategy sets out the return on investment which new investments will be required to meet to fund both the revenue cost of the investment and to provide additional income to the Council.

The detailed Capital Programme has been updated to reflect decisions taken by the Council and to reflect the expected profile of expenditure. The updated Capital Programme is included at **Annex A3**. The value of the Capital Programme and the associated funding is set out below:

Capital Programme Funding	**Revised2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**	**2025/26 £000**
External sources	3,468	700	700	700	700
Capital receipts	8,060	805	2,864	2,159	105
Revenue budget	200	150	150	150	150
Reserves	2,165	0	0	705	0
Borrowing	499	37,450	25,657	23,812	736
Total Funding	**14,392**	**39,105**	**29,371**	**27,526**	**1,691**

Further information on the Capital Programme is contained within the Council's Capital, Investment and Treasury Management Strategies.

11 Earmarked Reserves

Earmarked reserves are amounts set aside for specific policy purposes or for general contingencies and cash flow management. Revenue reserves result from events that have allowed or required monies to be set aside, year-end surpluses or circumstances that have led to anticipated expenditure being delayed or cancelled. Revenue reserves can be used for revenue or capital purposes.

Capital reserves are created from usable capital receipts. Capital reserves are not available for revenue purposes.

It is the responsibility of the Chief Financial Officer to advise the Council about the level of reserves that should be held and to ensure that there are clear protocols for their establishment and use.

Section 25 of the Local Government Act 2003 places a specific personal duty on the Chief Financial Officer to report on the adequacy of reserves and the robustness of the budget. The Chief Finance Officer includes this report in the budget setting report to Council in February each year.

The Council holds an earmarked reserve to support funding on Council Priorities. Any funding not used at the end of the financial year is rolled forward in to the next financial year. The use of Council Priorities Fund over the life of the MTFS is set out below:

Key use of earmarked reserves	Revised 2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Clean and Green Cotswolds	133	100		
Climate Change Emergency	126			
Covid-19 Recovery – impact upon contractors	240	360		
Devolution	75			
Economic Development and Regeneration	1,860			
Grants	33			
Leisure Strategy	30			
Local Plan Refresh	480	355		
Local Transport Engineer	50	50	45	
Open Space Review	25			
Recovery Investment Strategy and Economic Development	422	74		
Service Improvements	504	138	70	707
Social Housing	125	47		
Other	278			
Total	**4,381**	**1,124**	**115**	**707**

Conclusion

The Council has approved an ambitious Corporate Plan for delivery over the 2020-2024 period. This Medium Term Financial Strategy sets out the financial envelope for delivery of this Plan.

There are some significant risks to the Council from changes to Government funding. The Council has been planning for these changes and has approved a Recovery Investment Strategy to respond to potential reductions in Government funding.

In order to deliver action to support the new Council Priorities, the Council will need to invest in capital projects and this will require the Council to borrow for the first time since

1997. The MTFS reflects the financial implications of the borrowing plans set out in the Capital Strategy. All new capital investment will be subject to governance arrangements set out in the approved Recovery Investment Strategy and the due diligence requirements set out in the Capital Strategy.

The net cost of the Council's revenue plans, over the life of this Strategy, is as follows:

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Operational revenue budget (surplus)/deficit	791	3,824	2,062	2,160
Savings/income generation target	(822)	(3,824)	(2,062)	(2,160)
Contribution (to)/from General Fund	(31)	0	0	0

The savings targets in 2023/24, 2024/25 and 2025/26 reflect the impact of reduced funding from Government from the DLUHC Fairer Funding Review and the savings required to fund unavoidable budget pressures such as inflation and the costs associated with borrowing for investment in Council services.

The Council will manage these budget deficits through application of the General Fund Balance. The forecast level of General Fund Balance is set out below:

	31 March 2023 £000	31 March 2024 £000	31 March 2025 £000	31 March 2026 £000
General Fund Balance	4,202	4,202	4,202	4,202

Overall, the Council revenue and capital plans are affordable and the forecast balances on Council resources is set out below:

	31 March 2023 £000	31 March 2024 £000	31 March 2025 £000	31 March 2026 £000
Capital Reserves	1,289	1,379	318	1,311
Earmarked Revenue Reserves	914	751	44	44
General Fund Balance	4,202	4,202	4,202	4,202

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MTFS 2022/23-2025/26 — Annex A1

	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s
Expenditure base budget	24,159	24,295	22,770	22,488
Inflation - Salaries Retained Staff and Members Allowances	40	40	40	40
Inflation - Publica	352	228	233	238
Inflation - Ubico	355	275	275	275
Inflation - Other Contracts	91	20	20	20
Total Inflationary Increases	**838**	**563**	**568**	**573**
Unavoidable budget pressures - **capital financing**	113	1,736	1,212	1,039
Unavoidable budget pressures - **other - Annex A2**	8	0	0	0
Savings				
Recovery Investment Strategy - Savings target reflecting changes to Gov. Funding	(227)	(1,983)	(905)	(927)
Recovery Investment Strategy - funding for unavoidable budget growth or investment in services	(595)	(1,841)	(1,157)	(1,233)
Total Expenditure	**24,295**	**22,770**	**22,488**	**21,939**
Income base budget	(11,602)	(11,700)	(11,840)	(12,170)
Inflation	(100)		(130)	(30)
Impact of Covid 19 on Sales, Fees and Charges	(500)			
Sales, Fees and Charges Grant	356			
Unavoidable budget pressures - **See Annex A2**	146	(140)	(200)	0
Total Income	**(11,700)**	**(11,840)**	**(12,170)**	**(12,200)**
Net cost of service	**12,595**	**10,930**	**10,318**	**9,739**
Central Government Funding				
Negative Revenue Support Grant	0	1,595	1,635	1,666
Retained Business Rates Estimate	(3,424)	(2,208)	(2,271)	(2,335)
Revenue Support Grant/Covid 19 Gov Funding				
Lower Tier Services Grant	(1,473)	0	0	0
Rural Services Delivery Grant	(632)	0	0	0
New Homes Bonus	(810)	0	0	0
Services Grant	(129)	0	0	0
Damping		(3,873)	(2,945)	(1,985)
Overall Central Government Funding	**(6,469)**	**(4,486)**	**(3,581)**	**(2,654)**
Forecast reduction in Government Funding	***227***	***1,983***	***905***	***927***
Council Tax				
Estimated Council Tax Base	42,193	42,699.2	43,211.6	43,730.2
Band D Council Tax	143.93	148.93	153.93	158.93
Council Tax Yield	**(6,073)**	**(6,359)**	**(6,652)**	**(6,950)**
Growth in income from Council Tax	*(259)*	*(286)*	*(292)*	*(298)*
Local Council Tax Support Grant				
Tax income guarantee - 75%	(50)	(50)	0	0
Change to Council Tax Exemptions Policy	(35)	(35)	(35)	(35)
Collection Fund (Surplus)/Deficit - Council Tax	0	0	(50)	(100)
Overall Funding Position	**(12,626)**	**(10,930)**	**(10,318)**	**(9,739)**
Budget (Surplus)/Deficit	**(31)**	**0**	**0**	**0**

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Unavoidable Budget Pressures	2022/23	2023/24	2024/25	2025/26
Expenditure				
Capital Financing				
Revenue Impact of increase to external borrowing - MRP	(172,393)	922,471	669,971	516,971
Revenue Impact of increases to external borrowing - interest	(11,805)	813,690	541,840	522,040
Other Service Cost Pressures and Growth				
Use of capital receipts to fund MRP re vehicle fleet - from Ubico lease payments	297,143			
Recycling Materials Processing Costs	(78,000)			
GRCC Flood Warden Scheme	14,000			
Contribution to Active Gloucestershire	10,000			
Strategic Director of Governance and Member Development - Previously Shared MO Role make full-time resource	50,000			
Ubico Driver Pay Award Inflation	39,000			
Permanent resource to support economic growth in the District, recognising the value of work delivered since 2020	47,000			
ICT Licensing Costs - transfer from capital to revenue	70,000			
Reduction of revenue funding for capital - ICT licensing costs now in revenue rather than capital	(50,000)			
Insurance Renewal Increases	44,000			
Bourton on the Water Coach Park Lease	(22,000)			
Business Rates and Utilities budget alignment	(6,000)			
Discretionary pension budget realignment	(110,000)			
Total Expenditure Budget Pressures	**120,945**	**1,736,161**	**1,211,811**	**1,039,011**
Impact of lump sum payment in to pension fund (2020/21) on investment income	(16,000)			
Covid 19 Impact upon income	400,000	(200,000)	(200,000)	
Increase in SLM Management Fee CPI Inflation	(25,492)			
Rental Income Cirencester LC	(12,000)			
Investment Property Commercial Rent Income	(141,000)			
Cottsway Short term Development Loan	(60,000)	60,000		
Total Income Growth/Budget Pressures	**145,508**	**(140,000)**	**(200,000)**	**0**
TOTAL	**266,453**	**1,596,161**	**1,011,811**	**1,039,011**

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Annex A3

Capital Programme	21/22 [MTFS]	21/22 In-Year	21/22 Revised Budget	Funded from:	Future years: 22/23	23/24	24/25	25/26
	£000s	£000s	£000s		£000s	£000s	£000s	£000s
Capital Receipts as at 1st April 2021			(8,196)		(4,463)	(5,218)	(3,154)	(1,795)
Scheme:								
Private Sector Housing Renewal Capital Grant [DFG]	700		700	Glos. County Council	700	700	700	700
ICT Capital funding	200		200	Revenue	150	150	150	150
Provision for financing of Ubico Ltd waste vehicles	35		35	21/22 Cap Rec then Borrowing	270	977	32	76
Replacement of Idox/Uniform system (ICT)	150		150	Cap receipts				
Planning documents and scanning solution	200		200	Cap receipts				
Waste recepticles growth in properties and replacements	55		55	Cap receipts	55	55	55	55
Replacement Leisure equipment	380		380	Borrowing				500
Provision for further electric vehicle charging points	150		0	Borrowing	150	150	150	150
Crowdfund Cotswold	50		50	Cap receipts	50	50	50	50
Investment in Cirencester Leisure Centre	1,200		0	Borrowing	1,200			
Recovery Investment Strategy	15,200		0	Borrowing	35,000	20,000	20,000	
Investment in multi-storey car parking Cirencester			0	Borrowing		3,620	3,620	
Investment in multi-storey car parking Cirencester			0	Cap receipts		2,759	2,054	
Investment in multi-storey car parking Cirencester			0	Reserves			705	
20/21 Carry Forwards:								
Contribution to Rural Broadband scheme			0	Cap receipts	500			
Ubico contract - roller brake testing			52	Reserves				
Replace pay and display machines			125	Cap receipts				
Waste recycling improvements (vehicles)			359	Cap receipts				
Crowdfund Cotswold			48	Cap receipts				
Car Park Improvements Rissington Road- Capital Receipts			245	Cap receipts				
Car Park Improvements Rissington Road- Car Parking Reserve	92		92	Reserves				
Packers Leaze Depot - Flood prevention works			80	Cap receipts				
Electric vehicle charging points			74	Borrowing	450			
Investment in strategic property acquistion			1,875	Reserves				
Investment in strategic property acquistion			2,485	Cap receipts				
Development of strategic property acquisition site			0	Borrowing		900		
New in-year 21/22								
Government funded decarbonisation project		1,237	1,237	Grant				
Government funded decarbonisation project - Contingency		120	120	Cap receipts				
Additional funding for Packers Leaze		55	55	Cap receipts				
CLC Pool Hall works		100	100	Cap receipts				
Affordable Housing Schemes - S106 Stockwells MiM		550	550	Dev. Contribution				
Affordable Housing Schemes - S106 Davies Road MiM		479	479	Dev. Contribution				
Affordable Housing Schemes - S106 Davies Road MiM - Env Imp		102	102	Dev. Contribution				
Affordable Housing Schemes - S106 Sunground Avening		400	400	Dev. Contribution				
Loan to Cottsway Housing Association		3,753	3,753	Cap receipts				
Bromford Joint Venture Partnership - Carbon Zero aff homes - feasibility studies, planning etc.			200	Cap receipts	200			
Investment in Dyer Street Property - Roofs			146	Reserves				
Car Park Enforcement - Vehicle Purchase			45	Borrowing				
Trinity Road - Carbon Efficiency Works			0	Borrowing	370			
Litter bin replacement programme				Borrowing	10	10	10	10
	18,412	**6,796**	**14,392**		**39,105**	**29,371**	**27,526**	**1,691**
			8,060	Use of UCR	805	2,864	2,159	105
			(136)	UCR Bal before any in-year CAP receipts	(996)	(1,289)	(1,379)	(318)
			(860)	Ubico Lease	(860)	(860)	(860)	(860)
				Cottsway Loan Repayment	(38)	(1,894)	(38)	(38)
			(200)	Other Cap Rec	(200)	(200)	(200)	(200)
			(996)	**Cap Rec C/F**	(1,289)	(1,379)	(318)	(1,311)

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Revenue Reserves

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Council Priorities Fund (and CPF allocations)				
Opening balance	(943)	(489)	(374)	(44)
Income				
Contribution to CPF From review of earmarked reserves	(270)		(377)	
Allocation of financial gain from Business Rates Pool	(400)			
Expenditure/Commitments				
Funding capital expenditure multi-storey car park (Waterloo)			705	
CIL/S.106 Implementation Project Resource	10	10	2	
Additional car parking provision Cirencester	60	60		
Local Plan Refresh	355			
Transport Engineer Post funded from LP Refresh	50	45		
Resources to support development and implementation of Recovery Investment Strategy and Economic Development	74			
RIS Resources - RP JV specialist advice	47			
Waterloo Car Park Planning Application	68			
Ubico - provision for additional costs re waste collection from residents - work from home/covid 19 lockdowns etc.	360			
Clean and Green Cotswolds	100			
Closing balance	**(489)**	**(374)**	**(44)**	**(44)**
Other Earmarked Reserves (excluding CPF)				
Opening balance	(733)	(425)	(377)	(0)
Expenditure	38	48		
Trf to Council Priorities	270		377	
Closing balance	**(425)**	**(377)**	**(0)**	**(0)**
Total of Earmarked reserves	**(914)**	**(751)**	**(44)**	**(44)**
General fund working balance				
Opening balance	(2,536)	(4,202)	(4,202)	(4,202)
Lump sum contribution to Gloucestershire LGPS	(1,634)			
Revenue budget (surplus)/deficit for the year	(31)	0	0	0
Closing balance on the General Fund	**(4,202)**	**(4,202)**	**(4,202)**	**(4,202)**
Total of Council revenue reserves (GF and Earmarked Reserves)	**(5,116)**	**(4,953)**	**(4,246)**	**(4,246)**

COTSWOLD DISTRICT COUNCIL

CAPITAL STRATEGY 2022/23

1. Introduction

1.1. This Capital Strategy sets out the main influences for the capital programme, and how the available resources have been used to meet the Council's key priorities. It sets out the planned use of borrowing, including treasury management activity, and how capital risks are managed.

1.2. The capital strategy has been prepared having regard to CIPFA's 2021 Prudential Code and 2021 Treasury Management Code including ensuring plans are affordable, any borrowing is done in a prudent and sustainable way, risks relating to commercial investment are prudent and that Treasury Management decisions made are subject to good practice.

1.3. The Council's Capital Strategy forms a key element of the overall planning framework. It allows the Council to align capital investment and financing with the Corporate Plan priorities. These include:

- Priority 1 – delivering our services to the highest standard
- Priority 2 – responding to the challenges presented by the climate crisis
- Priority 3 – providing good quality social rented homes
- Priority 4 – presenting a local plan that is green to the core
- Priority 5 – helping residents and communities access the support they need for good health and wellbeing
- Priority 6 – supporting businesses to grow in a green, sustainable manner, and to provide high value jobs.

1.4 This will be achieved by integrating capital budget decisions into the Council's planning process, so that capital investment decisions are prioritised alongside plans for revenue income and expenditure, as well as plans for assets including the Council's land and buildings and liabilities including the prudent use of borrowing; and reporting regularly through to Council, Cabinet and the Audit Committee.

1.5 The Strategy has direct links with the Investment Strategy and Treasury Management Strategy and forms part of the Council's Medium Term Financial Strategy (MTFS).

2. Strategic context and purpose

2.1. The ongoing impact on the UK from Covid-19 over the last two years, together with higher inflation, higher interest rates and the impact of Brexit have had a major impact on local communities and businesses within the District. The Council has a key role to play in terms of supporting these going forward, as recognised within the Council's Recovery Investment Strategy, while maintaining and improving Council services.

2.2. Key drivers of the Council's capital investment programme bring together many aspects of the Council's services and financial planning. This is driven by the Corporate Plan which sets out the Council's drivers in the development and prioritisation of the capital proposals as described below:

- Adopting and implementing an investment and recovery strategy;
- Responding to climate change, including providing electric vehicle charging points, securing investments in renewable energy and support local community led and community owned renewable energy projects;
- Economic regeneration developments including attracting investment in infrastructure to support better broadband and 5G coverage and using our investments and assets to boost the local economy;
- Providing socially rented homes by delivery of social rented and affordable accommodation across the District;
- Maximising opportunities for income generation within projects that support the key priorities of the Council.

2.3. In previous years, the Council has been able to manage funding its capital programme through the use of capital receipts but external borrowing will underpin the planned developments in future years. The Council expects to fund the majority of its capital programme going forward largely from prudential borrowing and use of capital receipts. This discussed in more detail within **Section 3** of this report.

3. Capital Resources & Financing

3.1. The capital programme is planned to be fully financed from a combination of existing resources, external grants and contributions, capital receipts, and an affordable level of borrowing. The Capital Strategy prioritises the use of external grants and funding where possible to support Council Plan priorities. Where included, capital receipts assumptions are based on a prudent level of expected capital receipts from asset sales, loan repayments and other sources.

3.2. Resources of £97.693m have been identified to fund the four year capital programme from 2022/23 to 2025/26, with £87.655m of this being through borrowing. The Council will ensure that any borrowing will be undertaken in accordance with the Prudential Code for local authority capital finance and within the framework and policies set out in this capital strategy.

3.3. Revised or additional capital budgets funded from corporate resources may be approved by Cabinet or Council, in accordance with the Council's Financial Rules. Additional prudential borrowing must be approved by full Council.

3.4. A breakdown of the resources utilised to fund the capital programme is shown in **Pie Chart 1** and **Table 1** below:

Pie Chart 1 – Resources to fund the capital programme 2022/23 – 2025/26

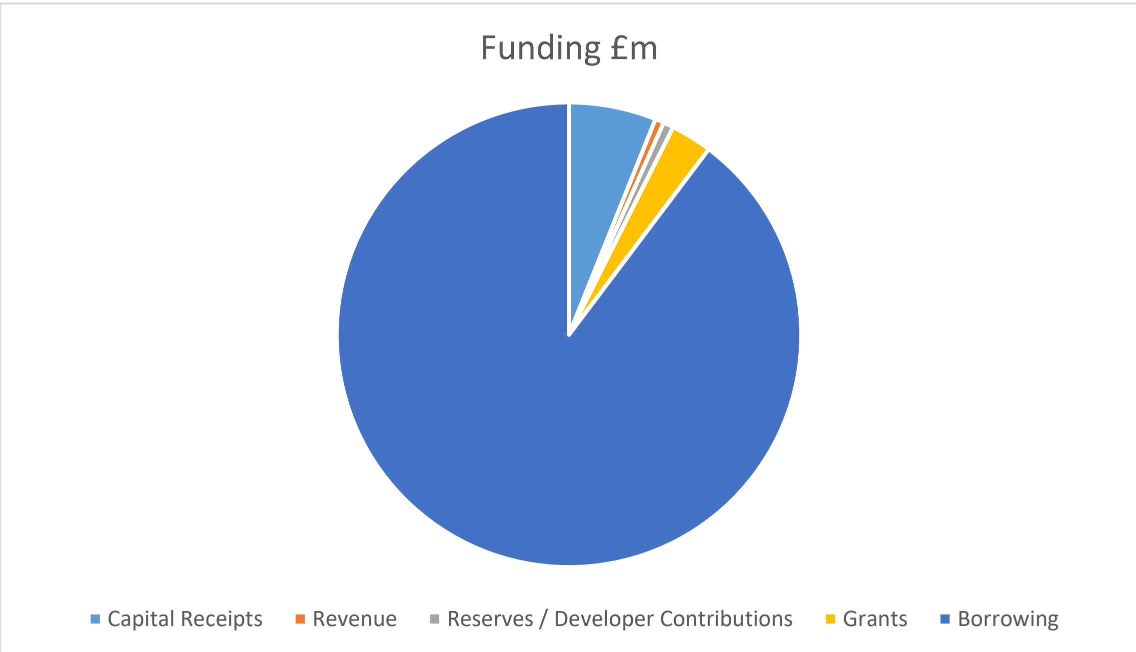

Table 1 – Capital Financing

	2020/21 actual £million	2021/22 forecast £million	2022/23 budget £million	2023/24 budget £million	2024/25 budget £million	2025/26 budget £million
Specific Resources						
Government Grants and contributions	0.6	3.5	0.7	0.7	0.7	0.7
Other specific Revenue resources	0.3	0.2	0.2	0.2	0.2	0.2
TOTAL SPECIFIC RESOURCES	**0.9**	**3.7**	**0.9**	**0.9**	**0.9**	**0.9**
Corporate Resources						
Prudential borrowing	0.0	0.5	37.5	25.7	23.8	0.7
Capital Receipts	2.4	8.1	0.8	2.9	2.2	0.1
Earmarked Revenue Reserves	0.0	2.1	0.0	0.0	0.7	0.0
TOTAL CORPORATE RESOURCES	**2.4**	**10.7**	**38.3**	**28.5**	**26.7**	**0.8**
TOTAL RESOURCES	**3.3**	**14.4**	**39.1**	**29.4**	**27.5**	**1.7**

4. Capital Expenditure – How we spend our capital resources

4.1. Capital expenditure is where the Council spends money on assets, such as land, property or vehicles, which will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are treated as operational expenditure and charged to the revenue budget. For details of the Council's policy on capitalisation, see the Council's accounting policy which are contained with the annual Statement of Accounts 2021/22.

4.2. Based on the above strategy to support the delivery of the Council Plan outcomes, the proposed Capital Programme totals £39.105m in 2022/23 and £97.693m over the four year period to 2025/26 as summarised below in Table 2:

Table 2 – Estimates of Capital Expenditure in £m

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget
Spend by Council Priority Area (from 2021/22)	3.2					
Climate Emergency		5.6	1.2	0.2	0.2	0.2
Wellbeing		1.3	1.9	0.8	0.7	1.2
Green Economic Growth		4.4	0.5	0.9	0	0
High quality services		1.6	0.5	7.5	6.6	0.3
Housing		1.4	0	0	0	0
Capital investments	0	0.1	35.0	20.0	20.0	0.0
TOTAL	**3.2**	**14.4**	**39.1**	**29.4**	**27.5**	**1.7**

4.3. New projects and priorities are identified through the Council's financial planning process and are added to the capital programme. Further detail on planned expenditure in each of the Council Priority areas is included within **Annex A3** of the Medium Term Financial Strategy.

4.4. Funding of £75m has been included in this budget to fund capital expenditure in order to deliver the Recovery Investment Strategy (RIS). The use of this will be managed and approved in accordance with the Council's Financial Rules which are part of the Constitution.

4.5. The Council manages capital risks through its business case appraisal and approval arrangements. Business cases are presented to the Capital Programme Investment Board for consideration before Cabinet or Council approval of expenditure. Capital programme expenditure and treasury management performance is regularly monitored and reported to Members at the Audit Committee, Overview and Scrutiny Committee and Cabinet in accordance with the Constitution. Capital risks have also been considered by the Chief Finance Officer as part of the annual report on the adequacy of Council reserves.

5. Capital funding from External Resources

5.1. Where capital expenditure is funded from external resources such as grants and contributions the financing cost is nil.

5.2. The Council will continue to support the community through the allocation of Disabled Facilities Grant which is funded through a grant of approximately £0.7m per year.

6. Capital funding from internal resources

Funding through capital receipts

6.1. Capital receipts from the disposal of assets represent a finite funding source and it is important that a planned and structured approach to disposals it taken to support the corporate priorities of the Council. The Council's estate is managed through the Property Services Team.

6.2. All land and buildings which are surplus to existing use will be reviewed before any Council decision is made, to ensure the re-use or disposal of the asset provides best value in supporting the Council's objectives.

6.3. **Table 3** shows the capital receipts targets for the Council:

Table 3: Capital receipts receivable in £m

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
Asset sales*	0.03	0.2	0.2	0.2	0.2
Ubico Loans repaid for Vehicle purchase	0.9	0.9	0.9	0.9	0.9
Other Loans repaid	0	0.1	1.9	0.1	0.1
TOTAL	**0.9**	**1.2**	**3.0**	**1.2**	**1.2**

**The asset sale receipts in the table above includes receipts from "Right to Buy" asset disposals from Bromford Housing Association.*

6.4. There are no significant asset disposals planned between 2021/22 and 2024/25.

6.5. The Council recognises that management of the Council's asset base is critical to delivering efficiency savings, enhancing returns from the Council's assets and ensuring that assets remain in condition to deliver efficient and effective services to residents.

6.6. During 2021/22, the Council continued a targeted review of its strategic assets. The review being lead by the Leader and Deputy Leader and Cabinet Member for Finance. Where there are opportunities to use assets more effectively to delivery Council Priorities, businesses cases are presented to the Cabinet or Council for approval.

6.7. The Council's Audit Committee receives information on the Council's asset portfolio as part of consideration of the financial statements.

Funding through use of reserves

6.8. The Council's earmarked reserves will be funding the following capital programme projects:

Table 4: Capital Programme Funded by earmarked reserves in £m

	2021/22 forecast	**2022/23 budget**	**2023/24 budget**	**2024/25 budget**
Service Improvements	0.1	0	0	0
Investment	2.0	0	0	0
Car park capacity in Cirencester	0	0	0	0.7
TOTAL	**2.1**	**0**	**0**	**0.7**

7. Capital funding from Debt and Treasury Management

7.1. Local authorities are required by law to set an overall limit on their debt outstanding, including loans and other long term liabilities. This 'prudential limit' may not be exceeded, so the Council's proposed limit allows for risks, uncertainties, and potential changes during the year which may need to be accommodated within this overall limit. The outstanding borrowing for the Council after use of internal resources (such as capital receipts or revenue reserves) is outlined in **Table 1**.

7.2. The Council's debt liabilities and its investments arising from day-to-day cashflows need careful management in order to manage the costs and risks. This is the subject of the Council's Treasury Management Strategy and Policies.

7.3. The Council has a low to moderate appetite for taking financial risk and this is reflected in this Capital Strategy. Treasury Management risks are managed through the Treasury Management Strategy and Policy.

7.4. The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility to adapt to changes in the future.

7.5. Government guidance is that local authorities must not borrow more than or in advance on their needs purely in order to profit from the investment of extra sums borrowed. The Council plans to borrow in 2022/23 to invest in new capital schemes. Any funds borrowed will be in relation to specific schemes and based upon the cash required for the chosen schemes. There are no plans to borrow in advance of need.

7.6. The cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases when new borrowing is taken out and reduces when debt is repaid through revenue or other capital receipts. Statutory guidance is that debt should remain below the CFR, except in the short term. The CFR for each financial year is set out in **Table 5** below, and shows that the estimated borrowing complies with this.

Table 5 – Capital financing requirement by general fund services (Council Priorities) and capital investments in £m

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget
Investment in Council Priorities	0.1	0.5	2.8	42.6	65.7	85.9
Capital investments	0.0	0.0	35.0	20.0	20.0	0.0
TOTAL CFR	**0.1**	**0.5**	**37.8**	**62.6**	**85.7**	**85.9**

7.7. To compare the Council's estimated borrowing against an alternative strategy, a liability benchmark is calculated showing the lowest risk level of borrowing. The liability benchmark is currently £29m in 2022/23, £52m in 2023/24 and £79m in 2024/25.

7.8. The Council is also legally obliged to set an affordable borrowing limit (also known as 'authorised limit for external debt'. In line with statutory guidance, a lower 'operational boundary' is also set as a warning level should debt approach the limit.

Table 6 - Forecast Debt and Prudential Indicators based on the current Capital Programme in £ms

	31.3.2021 actual	31.3.2022 updated forecast	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget
Outstanding borrowing/ Debt	0	0.499	37.949	63.606	87.418
Capital Financing Requirement	0.1	0.5	37.8	62.6	85.7
Liability benchmark	-0.7	-9.6	29.1	52.4	78.5
Authorised limit	10.0	8.0	45.0	70.0	93.0
Operational boundary	5.0	3.0	40.0	65.0	88.0

7.9. The Council's full MRP statement is available as **Appendix A**.

7.10. Although capital expenditure is not charged directly to revenue, the interest payable on loans and provision for repayment of loans (MRP) will be. This charge is known as financing costs. The proportion of financing costs to net revenue stream is shown in **Table 7**.

Table 7 – Financing costs as a proportion of revenue (£m)

	31.3.2021 actual	31.3.2022 forecast	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget
Financing costs £m	0	0	0.132	1.736	2.033
Proportion of revenue	0%	0%	1%	15.8%	19.6%

The funding available from Government from 2023/24 onwards is very uncertain due to changes due to be implemented to local government funding. The proportion indicator should therefore be treated as highly indicative.

8. Commercial Activities

8.1. Commercial investments or activities are those the Council invests in purely for financial gain. With Government financial support for local public services declining, the Authority has invested in commercial property purely or mainly for financial gain. Total commercial property investments are currently valued at £6.142m at 31 March 2021 providing a net return after all costs of 8.0%.

8.2. With financial return being the main objective, the Authority accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include: vacancy periods (voids) between tenants, cost of material repairs to property, risk of fire or flood damage. These risk are managed by: acquiring properties with long leases and with tenants with a strong covenant and insuring the property. Covid-19 has impacted some tenants, with a higher risk of business failures. In the longer term, the changing nature of the high street for retail occupants may require the Council to review its commercial property holdings. These risks are managed by the Council's Property Services Team. The Council also has a Corporate Risk Register which is reported quarterly to the Council's Audit Committee and includes any significant risks arising from commercial investments.

8.3. Decisions of commercial investments are made by the Council in line with the criteria and limits approved by Council in the Investment Strategy. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the Capital Programme.

8.4. Further details on commercial investments and limits on their use are included in the Investment Strategy.

9. Governance

9.1. The CIPFA Prudential Code expects local authorities to consider and approve a number of ‘prudential indicators’. These relate to the capital programme generally as well as borrowing, and are set out in the sections above.

9.2. The Council will use borrowing in accordance with the CIPFA ‘Prudential’ system as a tool for delivering policy and managing its finances. Local authorities may borrow to finance capital expenditure, and the affordability of debt is the key constraint.

9.3. Prudential borrowing is an important way to fund the Council’s own priorities where external funding cannot be obtained.

9.4. The Council sets and monitors prudential indicators to manage its debt exposures. As the Council only expects to borrow £0.5million during 2021/22, the borrowing costs (including interest and repayment charges) in 2022/23 are so low that they represent less than 0.1% of the net revenue budget.

9.5. In order to ensure that borrowing remains at an affordable and sustainable level, the Council will seek over the medium term to manage its new prudential borrowing for normal service delivery at a level which is close to the amount which it sets aside from the revenue account each year for debt repayment (i.e. MRP).

9.6. The Council is mindful of Government and CIPFA advice that commercial investments including property must be proportionate to the resources of the authority. The Council is not currently planning any investments primarily for yield. All service and commercial investments will have regard to the guidance and lending terms issued by HM Treasury.

9.7. The arrangements for realising investments and managing liquidity risk will depend on the purpose and nature of the investment in each case. Where investments have been made to support service purposes and have been funded from cash resources, there is not a funding pressure to have an investment exit route in place. Where investments are funded by borrowing, the Council’s MRP Policy sets out the arrangements to repay debt without resorting to a sale of the investments.

9.8. Financial and property investment decision making will follow the Council’s Business Case governance requirements, with particular attention to expert due diligence, robust financial appraisal and taking external advice in consultation with the Chief Finance Officer. New investments must reflect the Council’s core priorities and must be agreed by the Chief Finance Officer before presentation of any Council decision report.

9.9. Advisers will be used where necessary to ensure that the Council is provided with sufficient skills and understanding to support robust decision making. In particular, the Council’s treasury management adviser (Arlingclose) can provide support in relation to financial investments.

9.10. Officer and Member training will be available through the Council's treasury advisers. Information relevant to investment decisions will form part of Council decision reports to members. Due diligence requirements for investments will ensure that officers are aware of the core principles of the prudential framework and local authority regulatory requirements. These arrangements will support the capacity, skills and culture of the Council in making and managing investments for service and commercial purposes

10. Management of the Capital Programme

10.1. In the above context of needs and resources, the Council has developed policies and high level processes to ensure the effective management of capital. This will be overseen by the Council through strong governance and assurance processes for capital planning, capital appraisal and approval, project management, and capital monitoring and review.

10.2. Service managers contribute annually, in the autumn, to the Council's revenue budget and capital programme. The Finance Team collates proposed changes to the Capital Programme for consideration by the Cabinet as part of the Council's budget setting process. The financing cost (which can be nil for projects funded from Council resources or external grants) is included in the Medium Term Financial Strategy and detailed budgets for the forthcoming financial year. The Council's Overview and Scrutiny Committee considers both the Medium Term Financial Strategy and the detailed budget. The comments of the Overview and Scrutiny Committee are reported to Cabinet when the Medium Term Financial Strategy and detailed budget proposals are considered. Cabinet recommends the final Capital Programme and revenue budgets to Council in February each year.

10.3. In September 2020, the Council approved a Recovery Investment Strategy: Recovery Investment Strategy. Under this Strategy the Council has established a Capital Programme Investment Board which will consider business cases for projects which support the aims and objectives of the Recovery Investment Strategy. Once the Board has considered business cases the Cabinet and/or Council will consider the views of the Board when approval is sought to access capital funding.

10.4. For full details of the Council's proposed capital programme see the revenue and budget papers considered by Cabinet and Council in February 2022: link to be added when Cabinet papers are published

10.5. All use of capital resources, including capital receipts, will be prioritised across the Council as a whole in relation to the Council's key priorities.

10.6. The Council's MTFS sets out the financial challenges and risks which the Council is currently managing. The Council's risk appetite is moving from low to moderate and Members are prepared to consider investments with a moderate level of risk for which there is an appropriate level of financial return. A combination of the Chief Finance Officer, the Council's Legal Team, Publica Finance, Group Manager and Strategic Director staff will support Council Member governance structures in ensuring that where risks are taken, they are fully understood and proactively managed.

10.7. The staff responsible for making capital expenditure, borrowing and investment decisions are professionally qualified and experienced. Use is also made of external advisors and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisors and other specialist advisors to support on specific transactions as required. This approach is more cost effective than employing such staff directly and ensures that the Council has access to the relevant skills and knowledge when required.

10.8. In-year revised or additional capital budgets may be approved by Cabinet or Council. The Financial Rules set out the decision making process for approving additional in-year capital budgets. The Council will decide upon changes to the prudential borrowing limits.

APPENDIX A: DEBT REPAYMENT POLICY

Minimum Revenue Provision Statement 2022/23

Introduction

1. The Government's Capital Finance and Accounting Regulations require local authorities to make 'prudent annual provision' in relation to capital expenditure financed from borrowing or credit arrangements. This is known as Minimum Revenue Provision or MRP, but it is often referred in shorthand as "debt repayment". Local authorities are required to have regard to the Government's statutory guidance on MRP.

2. This policy applies to the financial year 2022/23. Any interpretation of the statutory guidance or this policy will be determined by the Chief Finance Officer.

Principles of Debt Repayment Provision

3. The term 'prudent annual provision' is not defined by the Regulations. However, the statutory guidance says:

   "the broad aim of prudent provision is to ensure that debt is repaid 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 guidance does not prescribe the annual repayment profile to achieve this aim, but suggests four methods for making MRP which it considers prudent, and notes that other methods are not ruled out. The Council regards the broad aim of MRP as set out above as the primary indicator of prudent provision, whilst recognising the flexibilities which exist in determining an appropriate annual repayment profile.

4. The Council considers that the above definition of 'prudent' does not mean the quickest possible repayment period, but has regard to the prudent financial planning of the authority overall, the flow of benefits from the capital expenditure, and other relevant factors.

5. Consistent with the statutory guidance, the Council will not review the individual asset lives used for MRP as a result of any changes in the expected life of the asset or its actual write off. Some assets will last longer than their initially estimated life, and others will not; the important thing is the reasonableness of the estimate.

General Fund MRP Policy

6. The general repayment policy for prudential borrowing is to repay borrowing within the expected life of the asset being financed, subject to a maximum period of 50 years.

7. The Council's policy is in accordance with the "Asset Life" method in the guidance. The repayment profile will follow an annuity repayment method (like many domestic mortgages) which is one of the options set out in the guidance. This is subject to the following details:

- An average asset life for each project will normally be used. This will be based on the asset life normally used for depreciation accounting purposes (recognising that MRP is estimated at the start of the project, whereas depreciation is not determined until the project has finished, so there may be estimation differences).
- There will not be separate MRP schedules for the components of a building (e.g. plant, roof etc.).
- A standard schedule of asset lives will generally be used, but where borrowing on a project exceeds £10m, expert property advice may also be taken into account.
- Asset life will be determined by the Chief Finance Officer.

8. MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for single assets where over £1m financed from borrowing is planned, where MRP may be deferred until the year after the asset becomes operational.

9. Other methods to provide for debt repayment may occasionally be used in individual cases where this is consistent with the statutory duty to be prudent, as justified by the circumstances of the case, at the discretion of the Chief Finance Officer.

10. If appropriate, shorter repayment periods (i.e. less than the asset life) may be used for some or all new borrowing.

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Cotswold District Council

Investment Strategy Report 2022/23

Introduction

The Council 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. The Treasury Management Strategy outlines the principles and arrangements in place for the first category of investment.

Treasury Management Investments

The Council 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). As a Council Tax 'billing authority' it collects local taxes on behalf of other local authorities, the Police and the Government and also holds reserves for future expenditure. 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 (CIPFA). The balance of treasury management investments is expected to fluctuate between £15m and £40m during the 2022/23 financial year.

Contribution: The income from treasury management investments is used to sustainably fund local service provision.

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

Service Investments: Loans

Contribution: The Council lends money to local charities, local residents and its employees to support local public service provision, stimulate local economic growth and support Council Priorities of Affordable Social Housing and Green Energy and Carbon Reduction. Loans to residents will be in line with Council approved policies such as its Starter Homes Initiative and Disabled Facilities Grant policies. In the last quarter of 2021/22 the Council plans to loan £3.753m (£1.856m short term and £1.897m over 50 years) to a local Housing Association which supports the Council priorities of Affordable Social Housing and Green Energy and Carbon Reduction.

Where a loan is proposed to an organisation in the District, a business case is prepared and considered by the Cabinet or the whole Council as required by the Council's Financial Rules. The business case includes details of the alignment to Council priorities and an assessment of risk to the Council.

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 Council, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes in £

Category of borrower	**31.3.2021 actual**			**2022/23**
	Balance owing	**Loss allowance**	**Net figure in accounts**	**Approved Limit**
Charities	419,145	0	419,145	450,000
Registered Providers	31,500	0	31,500	3,784,500
Loans to Ubico (£500,000) or Publica (£500,000)	0	0	0	1,000,000
Local residents (equity loans)	111,012	0	111,012	130,000
Employees (car loans)	16,158	0	16,158	20,000
TOTAL	**577,815**	**0**	**577,815**	**5,384,500**

The Council has a Recovery Investment Strategy Recovery Investment Strategy which sets out the Council's approach to '*deliver the much needed capital investment for our Housing, Jobs and Green Infrastructure'.* The Strategy also sets out the aim '*to ensure that the Council makes an appropriate return on capital employed to support the cost of capital and an appropriate return to support the revenue budget'.* The Strategy included a provision for capital investment of £54.2m between 2021/22 and 2023/24. In July 2021, Council approved a loan of £3.8 million to a local housing association as part of the Recovery Investment Strategy. Further opportunities and options are being explored by officers, detailed reports seeking approval will be presented to Cabinet and Council as appropriate.

The updated 2022/23 MTFS includes an increased provision of £75 million to reflect the additional income the Council needs to generate in light of inflationary and service cost pressures and potential cuts to Government funding. Investment is profiled as £35 million in 2022/23, £20 million in 2023/24 and £20 million in 2024/25. This investment will be subject to business cases for proposals which support delivery of the Council Priorities as per the Corporate Plan.

Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The loans that the Council has made are limited to specific service areas and the likelihood of non-payment is considered minimal. There is no history of non-payment and no evidence to suggest that there will be any default against loans granted. As a result, no allowance for loss has been included against the loan balances. Should any indication be given that there is a risk of default, then the risk will be assessed and a provision established at that time. Should a loan default, the Council will make every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

In addition to the loans granted, the Council has included provision in its Treasury Management Strategy to loan up to £500,000 to both Ubico and Publica Group (Support) Limited, should either company require support. The Council is a shareholder in Ubico and a shared owner of Publica. In both cases, the loan facility is to enable the Council to be able to provide a loan for short-term cash flow purposes. No loans are currently in place.

Risk assessment: The Council assesses the risk of loss before entering into and whilst holding service loans by undertaking credit checks and ensuring that appropriate legal documentation is in place to secure the Council's money.

<u>**Service Investments: Shares**</u>

Contribution: The Council has a £1 shareholding in Ubico Ltd. Ubico Ltd is an environmental services company which provides household and commercial refuse collection, recycling, street cleansing, grounds maintenance and fleet maintenance services to the Council Ublico is a wholly owned by eight local authorities and operates as a not for profit enterprise.

Security: One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. The Council's investment is fixed at £1.

Table 2: Shares held for service purposes in £

Category of company	31.3.2021 actual			2022/23
	Amounts invested	Gains or losses	Value in accounts	Approved Limit
Local authority owned company	1	-	1	1
TOTAL	**1**	**-**	**1**	**1**

Risk assessment: The Council has not invested into Ubico to generate a financial return. The Council has invested in Ubico to support service delivery. Ubico is a cost sharing company. Any surplus generated within Ubico is returned to the partner Councils as shareholders. Similarly, any deficit has to be met by the Councils. Through regular budget monitoring and transparency around contract sums and performance, and regular communication with the Councils, the risk of any financial loss is mitigated.

Liquidity: the Council has not invested into Ubico to generate a financial return. The Council has invested purely to facilitate service provision. The Council has no intention to dispose of its investment in the foreseeable future.

Non-specified Investments: Shares are the only investment type that the Council has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Council's upper limits on non-specified investments. The Council has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

Commercial Investments: Property

Investment Property is defined in the CIPFA code of practice on Local Authority Accounting as property (land or buildings, or both) held solely to earn rentals or for capital appreciation, or both. The Councils hols a number of assets that it classifies as Investment Properties.

Contribution: The Council owns a number of Investment Properties within the Cotswold District and three significant assets outside of the district. The properties acquired outside of the District were acquired with the intention of generating income to support the revenue budget and were funded from the Council's capital receipts, and therefore did not require the Council to undertake any borrowing.

In 2019/20, the Council acquired an investment property in Dyer Street, Cirencester. The acquisition was a strategic asset purchase linked to the potential development of Waterloo Car Park in Cirencester and is part of the Council's place-making role for Cirencester. Other investment property in the district is typically associated with Council operational buildings such as the Corinium Museum and Moreton Area Centre, where surplus office space is leased, or other assets held for place-shaping reasons.

Table 3: Property held for investment purposes in £

Property	1st April 2020	31.3.2021 actual		31.3.2022 expected	
	Value in accounts	Gains or (losses)	Value in accounts	Gains or (losses)	Value in accounts
Investment Property within Cotswold District	1,266,000	(18,500)	1,247,500	0	1,247,500
Investment Property inside of Cotswold District: 27A Dyer Street, Cirencester	1,940,000	(225,000)	1,715,000	0	1,715,000
Investment Property outside of Cotswold District: Superdrug, Worcester	750,000	(35,000)	715,000		715,000
Investment Property outside of Cotswold District: Wilkinsons, West Bromwich	1,490,000	(60,000)	1,430,000		1,430,000
Investment Property outside of Cotswold District: Tesco, Seaford	1,125,000	(90,000)	1,035,000		1,035,000
Provision for strategic property acquisitions – linked to place shaping or economic development					4,360,000
TOTAL	**6,571,000**	**(428,500)**	**6,142,500**		**10,502,500**

Security: A fair value assessment of the Council's investment property portfolio is undertaken each year as part of the final accounts process. Investment property is valued at market value. Property values fell during 2020/21 reflecting the valuer's assumption of the reductions in rental income expected in 2021/22 associated with Coronavirus considerations and potential void periods. The fair value of the Council's investment property portfolio is included in the Statement of Accounts; based upon 'market value'.

In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs. **Table 3** shows fair value losses in 2020/21 which are a direct result of the valuation undertaken as at 31st March 2021. The proportion of the Council's Investment Property portfolio which is outside of the District, is held primarily to generate a stable income stream to support the revenue budget. The losses will not be recognised unless the Council decides to dispose of the assets. The Council maintains sufficient liquidity so that there is no requirement to sell any of the investment properties. Over time, it is expected that the market value of investment properties will vary.

Risk assessment: The Council assesses the risk of loss before entering into and whilst holding property investments and aims wherever possible to mitigate the risk by purchasing property with secure tenants on long leases.

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, the Treasury Management Strategy includes the provision of liquid investments should the Council be in need of cash. It is not anticipated that the Council would need to sell any Investment Property at short notice.

Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Authority and are included here for completeness.

The Council is a shareholder of Ubico Ltd, owning one eighth of the company, and is a joint partner in Publica Group (Support) Limited, owning one quarter of the company. In both cases, should the company overspend, the Council would be liable for its share of the additional costs. In both companies, sound financial management and budgetary control mitigate the risk that additional sums will be required without adequate notice.

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, priorities and place making role of the Council 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, the Council will be required to draw on additional balances from reserves, or generate savings elsewhere within the budget to continue to provide its services.

Table 4: Proportionality of Investments

	2020/21 Actual	2021/22 Forecast	2022/23 Budget	2023/24 Budget	2024/25 Budget
Gross service expenditure*	25,158,520	24,159,000	24,470,000	22,906,000	22,639,000
Treasury Investment income	449,332	419,568	449,847	450,000	450,000
Loans income	13,202	11,579	133,174	72,729	72,134
Shares dividend	0	0	0	0	0
Investment Property Income**	439,623	427,166	561,785	573,021	584,481
Investment Income as a proportion of expenditure	**3.59%**	**3.55%**	**4.68%**	**4.78%**	**4.89%**

The proportion is the investment income divided by the gross service expenditure
**Excluding Housing Benefit payments*
*** Excluding any income from possible new leases to third parties under the Recovery Investment Strategy*

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 Council will need to borrow in future years to fund new capital. Any funds borrowed will be in relation to specific schemes and based upon the cash required for the chosen schemes. There are no plans to borrow in advance of need.

Capacity, Skills and Culture

Elected members and statutory officers:

The Council employs professionally qualified and experienced staff in senior positions with responsibility for advising Council on capital expenditure, borrowing and investment decisions. For example, the Chief Finance Officer is a qualified accountant with over 20 years' experience of working in local government finance. The Deputy Chief Financial Officer is also a qualified accountant with 18 years' experience. The Council pays for junior staff to study toward relevant professional qualifications, including Chartered Institute of Public Finance and Accountancy (CIPFA) and Association of Accounting Technicians (AAT).

Where Council staff do not have the knowledge and skills required, external advisers and consultants are engaged that are specialists in their field. The Council employs Arlingclose Limited as treasury management advisers. The Council employs other specialist advisers to advise upon specific, extraordinary transactions as required. Examples of such transactions include property acquisitions, loans to third parties and green bonds. 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 or while Council staff develop those skills.

The Council has experience of investing in commercial property in recent years. The Council's property service is provided through its strategic service provider Publica Group (Support) Ltd. The team of property officers have the following qualifications:

- BSc Hons Real Estate Management
- Associate Member Royal Institute Chartered Surveyors
- Member Royal Institute Chartered Surveyors
- Royal Institute Chartered Surveyors Registered Valuer
- Member Institute Welfare & Facilities management
- Technical member for Institute for Occupational Safety and Health

Due to current vacancies within the Property Services team, external valuers are in the process of being appointed to undertake the Investment Property valuations required as part of the preparation of the 2021/22 Statement of Accounts.

The Council's legal team have experience of carrying out due diligence checks, particularly for commercial property acquisitions, and the legal officers have the following qualifications:

- Fellows of the Charter Institute of Legal Executives (CiLEX);
- Paralegal;
- Solicitors.

The Property and Legal Teams work together with the Finance team to support the Council's Chief Finance Officer and the Publica Finance Director in developing investment proposals for the Council. External specialist advice is obtained when required to support these teams.

The Council has previously invested in a range of commercial properties which are delivering a sustainable revenue stream to the Council.

Commercial deals: The Council's Chief Finance Officer, Deputy Finance Officer and the Publica Finance Director are all aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate. There are a number of changes to how the prudential framework will operate from 2023/24. One key change, which came in to effect from December 2021, related to the approach to borrowing in advance of need in order to profit from additional sums borrowed. This has been updated to be clear that borrowing for debt-for-yield investment is not permissible under the Prudential Code.

Officers will work with a team of specialist officers to prepare business cases for consideration by Members under the Council's Recovery Investment Strategy. It is the responsibility of the Finance Team to ensure that the implications of the prudential framework and the regulatory regime are considered as business cases are developed.

The Cabinet and Council also includes elected Members with a wealth of experience from business, banking and financial organisations. Members will use their knowledge, skills and experience to scrutinise business cases for proposed Council investments as set out below.

Scrutiny Arrangements and Corporate governance:

Under the Council's Recovery Investment Strategy, a Capital Programme Investment Board, composed of Members from both the Administration and the Opposition will work with Officers on business cases for future investment. The Board will scrutinise proposals, considering the contribution to delivery of the Council Priorities and impact upon the overall risk to the Council. The views of the Board will be considered by the Cabinet. The Cabinet will take decisions or make recommendations to the full Council on new investments that are not part of Treasury Management activity.

Financial performance is reported quarterly to the Council's Overview and Scrutiny Committee and to Cabinet. This includes the financial performance of the Treasury Management function and any other revenue generating investments.

The Audit Committee considers the draft Capital, Investment and Treasury Management Strategies and provides its views to the Cabinet for consideration. Cabinet recommends the suite of Strategies to the Council for approval. Treasury Management performance is reported currently at half year and year end to the Council's Audit Committee and to the full Council.

The Council's internal audit provider (South West Audit Partnership Ltd) regularly audits the Council's treasury management activity and its processes and procedures for approving investment and performance management. SWAP reports to the Council's Audit Committee.

Investment Indicators

The Council has set the following quantitative indicators to allow Officers, Members and the public to assess the Council's total risk exposure from its investment decisions.

Indicator One: Total risk exposure to potential investment losses

The first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down and guarantees the Council has issued over third party loans.

Table 5: Total investment exposure in £

Total investment exposure	31.03.2021 Actual	31.03.2022 Forecast	31.03.2023 Forecast
Treasury management investments	23,575,285	20,068,000	18,875,000
Service investments: Loans	577,815	5,384,500	5,217,042
Service investments: Shares	1	1	1
Commercial investments: Property	6,142,500	10,502,500	10,502,500
TOTAL INVESTMENTS	**30,295,601**	**35,955,001**	**34,594,543**
Commitments to lend	0	0	0
Guarantees issued on loans	0	0	0
TOTAL EXPOSURE	**30,295,601**	**35,955,001**	**34,594,543**

Indicator Two: Total investments funded from borrowing

Investment for service delivery does not usually form part of this report. However, as the Council's Recovery Investment Strategy was approved by Council in September 2020 and the business cases for investment are under development, the potential for any capital expenditure to be considered as "investment" have been included in this Strategy document for maximum transparency. The investments could include regeneration schemes, use of Council assets for economic development or investment in green energy production. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

Indicator Three: 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.

(Commercial Property returns are calculated based upon returns compared to the current market valuation of the asset not the purchase price).

Table 6: 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 – investments average returns	1.6%	1.7%	1.7%
Service investments: Loans	0.0%	0.0%	0.0%
Charities*	3.0%	3.0%	3.0%
Housing Association	0.0%	0.0%	3.25%
Local residents (equity loans)	0.0%	0.0%	0%
Employees (car loans)	2.0%	2.0%	2.0%
Service investments: Shares	0.0%	0.0%	0.0%
Commercial investments: Property	8%	7.8%	10.0

*This represents an average return based upon loans ranging from 0% to 3.5%

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COTSWOLD DISTRICT COUNCIL

Treasury Management Strategy 2022/23

1 Introduction

1.1 This report sets out the Treasury Management Strategy and policy for 2022/23. It includes: the interest rate outlook, the Council's treasury management arrangements for the year and the overall framework and risk management controls which are used in carrying out the Council's borrowing, lending and other treasury activities.

1.2 The Council's treasury management objectives and activities are defined as:

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

1.3 Effective treasury management will provide support towards the achievement of the Council's business and service objectives. The Council is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

1.4 This Treasury Strategy forms part of the overall Corporate Planning Framework which complies with the statutory requirement to have regard to the following Codes and Guidance:

- CIPFA's Code of Practice for **Treasury Management in the Public Services** (revised December 2017 and 2021 code)
- CIPFA's **Prudential Code for Local Authority Capital Finance** (revised December 2017 and 2021 code)
- The Government Guidance on **Local Authority Investments**

1.5 It provides a mechanism by which treasury management decisions can be aligned with the overarching corporate priorities and objectives over the medium term.

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

1.7 A detailed assessment of the current economic background and the forecast impact on credit and interest rates has been provided by the Council's Treasury Management advisors, Arlingclose. This is included as **Appendices 1a** and **1b** to this Strategy.

2 Purpose of the Treasury Management Strategy

2.1 The 2022/23 Treasury Management Strategy has been developed with the following key aims:

- To outline how the Council will invest its money to ensure it will have the financial resources to support the key priorities outlined in its Corporate Plan

- To set out key principles on which borrowing and investment decisions are made, including how security and risk are assessed.

- To present the arrangements for managing and monitoring treasury management decisions, including assessment of outcomes and the alignment to the Corporate Plan

3 Treasury Management Strategy and Risk Management

3.1 The Council's objectives in relation to debt and investment can be stated as follows:

"To assist the achievement of the Council's service objectives by obtaining funding and managing the Council's debt and treasury investments at a net cost which is as low as possible, consistent with a high degree of interest cost stability and a very low risk to sums invested."

3.2 The successful identification, monitoring and control of risk are the prime criteria by which the effectiveness of the Council's treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

3.3 The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable, comprehensive performance measurement techniques within the context of effective risk management.

3.4 Therefore, for the Council, the achievement of high returns from treasury activities is of secondary importance compared with the need to limit the exposure of public funds to the risk of loss.

3.5 It is not possible to avoid all treasury risks, and a balance has to be struck. The main treasury risks which the Council is exposed to include:

- **Interest rate risk - the risk that future borrowing costs rise**
- **Credit risk - the risk of default in a Council investment**
- **Liquidity and refinancing risks - the risk that the Council cannot obtain funds when needed**

3.6 The Council does not currently hold any borrowings, but as it expects to during 2022/23, it will be important for the Council to manage its interest rate exposure due to the risk that changes in the level of interest rates leads to an unexpected burden on the Council's finances. The stability of the Council's interest costs will be affected by the level of borrowing exposed to short term or variable interest rates. Short term interest rates are typically lower, so there can be a trade-off between achieving the lowest rates in the short term and in the long term, and between short term savings and long term budget stability.

3.7 As a result, the approach to risk must be implemented flexibly in the light of changing market circumstances.

4 Why and how we invest our money

4.1 The revised CIPFA Prudential and Treasury Codes recommend that authorities' capital strategies should include a policy and risk management framework for all investments. The Codes identify three types of local authority investment:

- **Treasury management investments**, which are taken to manage cash flows and as part of the Council's debt and financing activity
- **Commercial investments** (including investment properties), which are taken mainly to earn a positive net financial return
- **Service investments**, which are taken mainly to support service outcomes

4.2 The Council's **Investment Strategy** outlines the principles and arrangements in place for the second two categories of investment. The **Treasury Management Strategy** focuses on the first category. The following paragraphs set out the Council's policy for these 'treasury management' investments.

4.3 The Council holds significant 'treasury management' funds representing income received in advance of expenditure and reserves held. In the past 12 months, the Council's investment balance has averaged from £20m to £47m. The large range was due to the Council holding grants that were due to be returned to the Government. The average forecast investment balance for 2022/23 is estimated to be around £26.9m.

4.4 On 31 December 2021, the Council held £33.668m of treasury investments which are outlined in **Table 1**.

Table 1 – Treasury investments as at 31 December 2021

Treasury Investments	31st December Actual Portfolio £m	31st December Average Rate %
Money Market Funds/Call Accounts and other pooled funds	21.168	0.05
CCLA Property Investment Management	2.500	3.37
CCLA Diversified Income	1.000	2.14
Schroders Unit Trusts Ltd	1.000	5.96
M&G Securities Ltd	2.000	3.40
Ninety One (formerly Investec)	2.000	2.77
Columbia Threadneedle Fund	2.000	2.45
Federated Cash Plus Fund	1.000	0.01
Fundamentum Housing REIT	1.000	2.25
Total treasury investments	33.668	1.40%

4.5 Forecast investments over the next three financial years are shown in **Table 2**.

Table 2 – Investments balances

	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
Short term holdings					
Call Accounts	**10.468**	**1.523**	**2.200**	**4.500**	**4.100**
MMFs	**1.590**	**4.942**	**4.000**	**4.000**	**4.000**
Current Account	0.630	0.100	0.100	0.100	0.100
Total Short term	**12.688**	**7.565**	**6.300**	**8.600**	**8.200**
Longer term holdings					
Pooled Funds	**10.500**	**10.500**	**10.500**	**10.500**	**10.500**
REIT	1.000	1.000	1.000	1.000	1.000
Cash + Fund	**1.000**	**1.000**	**1.000**	**1.000**	**1.000**
Total Longer term	**12.500**	**12.500**	**12.500**	**12.500**	**12.500**
TOTAL INVESTMENTS	**24.620**	**20.065**	**18.800**	**21.100**	**20.700**

4.6 The Council's policy on treasury investments, in line with the CIPFA code, is to prioritise security and liquidity over yield. This focuses on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely to minimise risk of loss. Money held for the longer term is invested more widely, including bonds, shares and property to balance the risk of loss against the risk of receiving returns below inflation. Both short term and longer term investments may be held in pooled funds, where an external fund manager makes decisions on which investments to buy. The Council is also able to request the return of its funding at short notice with these pooled funds. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing inflation rate, in order to maintain the spending power of the sum invested.

4.7 Due to the coronavirus pandemic, councils experienced increased uncertainty over their cash-flows during 2021/22. Central Government provided significant grants to the Council as it looked to use local authorities to co-ordinate the support required by the local population in dealing with the financial impact of the pandemic. As a result, the Council held liquid cash balances that far exceeded the guidance of £10m throughout the year. This is likely to continue if the financial impact of coronavirus continues into 2022/23 as a result of the Omicron variant.

4.8 As the economic consequences of the pandemic and the details of the Brexit trade deal become clearer, there is the risk that the Bank of England will set the Bank Rate at or below zero, which would feed through to negative interest rates on low risk, short term investment options. Since investments cannot pay negative income, negative rates would 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.

4.9 Under Financial Reporting Standards (IFRS 9), the accounting for certain investments depends on the Council's business model for managing them. The Council 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.

4.10 The Council will continue to make deposits only with institutions having high credit quality as set out in the Lending Criteria table below. These limits have been set by the Council in consultation with Arlingclose, the Council's Treasury advisors in **Table 3**. Further explanation of each of the categories in Table 3 are included as **Appendix 2**.

Table 3 – Lending Criteria

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£3m	Unlimited
Secured investments *	25 years	£3m	Unlimited
Banks (unsecured) *	13 months	£3m	Unlimited
Building societies (unsecured) *	13 months	£2m	£10m
Registered providers (unsecured) *	5 years	£5m	£10m
Money market funds *	n/a	£3m	Unlimited
Strategic pooled funds	n/a	£4m	£20m
Real estate investment trusts	n/a	£3m	£20m
Other investments *	5 years	£1m-£3m	£10m

** investments in these sectors will only be made with entities whose lowest published long-term credit rating is no lower than A-*

4.11 Treasury investments will only be made with entities whose lowest published long term credit rating is no lower than an 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 on credit ratings, and all other relevant factors including external advice will be taken into account.

4.12 Money may be lent to the Council's own banker (Lloyds Banking Group), in accordance with the above lending limits. However, if Lloyds Bank does not meet the above criteria, money may only be lent overnight (or over the weekend), and these balances will be minimised.

4.13 Credit rating methodologies and credit limit requirements may change as the circumstances demand: in this event the Chief Finance Officer may determine revised and practicable criteria seeking similarly high credit quality, pending the next annual review of this treasury management policy.

4.14 Temporarily surplus cash will be invested having regard to the period of time for which the cash is expected to be surplus. The CIPFA Prudential Code envisages that authorities will not borrow more than three years in advance, so it is unlikely that the Council will plan to have surplus cash for longer than three years. However, where surplus cash for over 12 months is envisaged, it may be appropriate to include some longer term (non-specified) investments within a balanced risk portfolio.

4.15 In making investments in accordance with the criteria set out in this section, the Chief Finance Officer will seek to spread risk (for example, across different types of investment and to avoid concentration on lower credit quality). This may result in lower interest earnings, as safer investments will usually earn less than riskier ones.

4.16 The Council does not currently use investment managers (other than through the use of pooled investment vehicles such as Money Market Funds). However, if investment managers are appointed, their lending of Council funds would not be subject to the above restrictions, provided that their arrangements for assessing credit quality and exposure limits have been agreed by the Chief Finance Officer.

4.17 The Council seeks to be a responsible investor. In line with the requirements of the 2021 Code, the Council is currently in the process of developing a policy covering environmental, social and governance (ESG) investment considerations. This policy will be the subject of a separate report to a future meeting of the Full Council.

5 How we borrow money

Current Position in terms of borrowing

5.1 At 1st January 2022, the Council holds no borrowing, but it is anticipated that borrowing will be required in future years. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The net borrowing can be reduced from this total through the use of reserves and working capital.

5.2 CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's external borrowing should be lower than its highest forecast CFR over the following three years.

5.3 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 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.

5.4 The total forecast net borrowing against the CFR and liability benchmark is set out in the **Table 4** and **Table 4a** below for the period of the Medium Term Financial Strategy.

Table 4 - Forecast Borrowing Requirement £m

	31.3.21 Actual	**31.3.22 Estimate**	**31.3.23 Forecast**	**31.3.24 Forecast**	**31.3.25 Forecast**
CFR	0.1	0.5	37.95	63.61	87.42
Less External Borrowing	0	-0.5	-37.9	-63.6	-87.4
Internal Borrowing	**-0.1**	**0**	**-0.001**	**-0.004**	**-0.002**
Usable reserves	25.9	17.368	16.175	18.473	18.935
Working capital	*-0.7*	2.7	2.7	2.7	2.7
Investments	**25.2**	**20.1**	**18.875**	**21.173**	**21.635**

Table 4a – Liability Benchmark £m

	31.3.21 Actual	31.3.22 Estimate	31.3.23 Forecast	31.3.24 Forecast	31.3.25 Forecast
CFR	0.1	0.5	37.95	63.61	87.42
Less Balance Sheet Resources	-25.188	-20.068	-18.875	-21.173	-18.935
Net Loans Requirement	**-25.088**	**-19.568**	**19.075**	**42.437**	**68.485**
Plus Liquidity Allowance	10.0	10.0	10.0	10.0	10.0
Liability Benchmark	***-0.7***	**-9.568**	**29.075**	**52.437**	**78.485**

5.5 This benchmark is currently £-0.7 million, reflecting the fact that the Council is debt free and its cash balances are invested through application of the Treasury Management Strategy. Over the next two years, the liability benchmark moves to £29 million reflecting a use of capital receipts and earmarked reserves to partially fund the Capital Programme and need to externally borrow as represented in table 4.

Borrowing Strategy

5.6 This strategy sets out how the Council plans to obtain the required new borrowing shown above, by a combination of short term and long term borrowing.

5.7 The borrowing will be required to fund significant investments into the Councils key priorities as outlined in the Corporate Plan, in particular the Recovery Investment Strategy. The key priorities are outlined below:

- Priority 1 – delivering our services to the highest standard
- Priority 2 – responding to the challenges presented by the climate crisis
- Priority 3 – providing good quality social rented homes
- Priority 4 – presenting a local plan that is green to the core
- Priority 5 – helping residents and communities access the support they need for good health and wellbeing
- Priority 6 – supporting businesses to grow in a green, sustainable manner, and to provide high value jobs.

5.8 The Council's main objective when borrowing money is to strike a balance between securing low interest rates and certainty of costs over the period for which funds are required.

5.9 Given the significant cuts to public expenditure and in particular to local government funding, the Council'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 being 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.

5.10 By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of doing this will be monitored regularly against the potential for incurring additional costs by deferring borrowing into the future when long term borrowing rates are forecast to rise modestly, even if this causes additional cost in the short term.

5.11 Alternatively, the Council may arrange forward starting loans during 2022/23, 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. The Council may also borrow short term loans to cover unplanned cash flow shortages.

5.12 The strategy results in a forecast for new long term borrowing of £37.9m in 2022/23.

Sources of Borrowing

5.13 5.3.1 The main source of long term borrowing for local authorities historically has been the **Public Works Loans Board (PWLB).** PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield. The Council has not undertaken any PWLB borrowing to fund commercial investments for yield and does not plan to do this in the future in order to retain access to PWLB loans. All capital investments are linked to service developments. The PWLB rate offers a cheaper and quicker route to borrowing than alternative sources of borrowing. The Council would thus aim to use the PWLB for its long term borrowing needs. In addition it is uncertain how private sector lenders would view the risk profile for councils that were no longer eligible for PWLB loans.

5.14 The **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 market and lends proceeds to local authorities. This is a more complicated source of finance that the PWLB for two reasons; borrowing authorities are 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 Cabinet and Full Council.

5.15 **LOBOs:** The Council currently does not hold any LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost.

5.16 **Short-term and variable rate loans**: These loans leave the Council 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.

5.17 **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 Council 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.

5.18 **Local Climate Bonds /Community Municipal Investments** are a form of debt/loan-based crowdfunding. Community Bonds are issued by a council corporate body, with residents and general public investors providing capital on the basis of receiving a financial return. The majority of community bonds are typically linked in some form to environmental or social criteria and provide tangible benefit to the local community beyond just financial.

5.19 The Council is currently considering the launch of a 'community' or 'green' bond. Communities can invest money within bonds, with £5 being the minimum investment, for a fixed period (the initial bond is expected to be for a five year period) and will receive income at regular intervals. The Council is expected to benefit through this offering as a cheaper alternative to PWLB borrowing. The Council would pay a small initial and annual fee to the organisation responsible for setting up and administering the bonds. The funds raised by these bonds would be used to finance capital spend in respect of the installation of electric vehicle charging points and Council property solar panels across the district in support of the Council's 'responding to the challenges presented by the climate crisis' priority. Community bonds have a higher social value than mainstream borrowing as a result of increased community engagement and directing the cost of borrowing (interest payments) back into the local area.

5.20 The Council will continue to monitor market developments and will seek to use and develop other funding solutions if better value may be delivered. This may include other sources of long term borrowing if the terms are suitable, including listed and private placements, bilateral loans from banks, local authorities or others and sale and leaseback arrangements.

5.21 The Treasury Management Prudential Limits and Indicators consistent with the above strategy are set out in **Section 7.**

5.22 The Treasury Management Strategy must be flexible to adapt to changing risks and circumstances. The strategy will be kept under review by the Chief Finance Officer in accordance with treasury management delegations.

6 Monitoring Treasury Management Investments

6.1 The CIPFA guidance for Treasury Management in the Public Services (2017 edition), requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA code.

6.2 The guidance also requires the Council to produce reports on its treasury and investment management policies, practices and activities, as a minimum with a mid-term review and an annual report after year end closure.

6.3 The Council delegates responsibility for the implementation and regular monitoring of its treasury management practices to Cabinet and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with this strategy. The Audit Committee will be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

6.4 Credit ratings are monitored on a real-time basis as provided via Arlingclose, and the Council's lending list is updated accordingly, when a rating changes. Other information is taken into account when deciding whether to lend. This may include the ratings of other rating agencies; commentary in the financial press; analysis of country, sector and group exposures; and the portfolio make up of Money Market Funds. The use of particular permitted counterparties may be restricted if this is considered appropriate.

6.5 Where 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 Council 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. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt management Office or invested in government treasury bills or other local authorities, as decided by the Chief Finance Officer.

6.6 In order to monitor this, the Council has set the following cash limits on the credit quality of the investments in **Table 5**.

Table 5 – Approved 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	£3m	Unlimited

Sector	Time limit	Counterparty limit	Sector limit
Secured investments *	25 years	£3m	Unlimited
Banks (unsecured) *	13 months	£3m	Unlimited
Building societies (unsecured) *	13 months	£2m	£10m
Registered providers (unsecured) *	5 years	£5m	£10m
Money market funds *	n/a	£3m	Unlimited
Strategic pooled funds	n/a	£4m	£20m
Real estate investment trusts	n/a	£3m	£20m
Other investments *	5 years	£1m-£3m	£10m

** Investments in these sectors will only be made with entities whose lowest published long-term credit rating is no lower than A-*

6.7 The Council's revenue reserves available to cover investment losses are forecast to be £4m on 31 March 2022. In order to ensure that no more than a maximum of available reserves of 25% are therefore put at risk in the case of single default (other than the UK Government), the total lending limit will be £5m. A group of banks under the same ownership will be treated as a single organisation. Limits are also placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as in **Table 6** below. Investments in pooled funds and multilateral development banks do not count against the limit for a single foreign currency, as the risk is spread over many countries.

Table 6 – Cash Limit by Organisation

Table 6 – Cash Limits	Cash limit
Any single organisation, except the UK Central Government	£3m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£3m per group
Any group of pooled funds under the same management	£4m per fund manager
Foreign countries	£3m per country
Registered providers	£3m in total
Real estate investment trusts	£3m per REIT
Unsecured investments with building societies	£2m in total per BS
Money Market Funds	£20m in total

6.8 The Council uses cash flow forecasting 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 Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long term investments are set by reference to the Council's MTFS and cash flow forecast.

6.9 The Treasury Management team has suitably qualified and trained staff to actively manage treasury risks within this Policy framework. Officers regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. However, staff resources are limited, and this may constrain the Council's ability to respond to market opportunities or take advantage of more highly structured financing arrangements. External advice and support may also be required. The following activities may for example be appropriate based on an assessment at the time, to the extent that skills and resources are available:

- the refinancing of existing debt
- forward-starting loans
- leasing and hire purchase
- use of innovative or more complex sources of funding such as green bond issues, private placements and sale and leaseback structures
- investing surplus cash in institutions or funds with a high level of creditworthiness, rather than placing all deposits with the Government

6.10 The Council appointed Arlingclose Limited to provide treasury management advice to the Council, including the provision of credit rating and other investment information. Advisors are a useful support in view of the size of the Council's transactions and the pressures on staff time. The contract with Arlingclose is due to expire in 2022/23 and work will be ongoing to appoint a new treasury management advisor going forward.

6.11 Government investment guidance expects local authorities to have a policy for borrowing in advance of need, in part because of the credit risk of investing the surplus cash. The Council's policy is to borrow to meet its forecast Net Loan Debt, including an allowance (currently of £10m) for liquidity risks. The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the forecast capital programme or to meet other expected cash flows.

7 Treasury Management Prudential Indicators

7.1 The Council is required under the Local Government Act 2003 and the CIPFA Treasury Management Code to set Prudential Indicators for treasury management to measure and manage its exposure to treasury management risk using the following indicators:

7.2 **Security** – The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value weighted average 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	A-

7.3 **Interest Rate exposures** – This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one year 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	-£0.15m
Upper limit on one-year revenue impact of a 1% fall in interest rates	£0.15m

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

7.4 **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 within 30years	100%	0%
30 years and above	100%	0%

7.5 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.

7.6 **Long term treasury management investments** – The purpose of this indicator is to control the Council'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 for longer than a year will be:

Price risk indicator	**2022/23**	**2023/24**	**2024/25**
Limit on principal invested for longer than a year.	£20m	£20m	£20m
Amounts invested in longer term instruments with no fixed maturity date	£20m	£20m	£20m

8 Treasury Management Revenue Budget

8.1 The budget for investment income in 2022/23 is £0.450m, based on an average investment portfolio of £26.9m at an interest rate of 1.67%.

8.2 The Council aims to maintain its portfolio of long term investments in strategic funds at £12.5m. This is forecast to return £0.422m.

8.3 Investments in liquid assets such as bank deposits and money market funds are expected to return 0.2% and generate a yield of £0.028m.

8.4 This estimate reflects a prudent view of investment income. Actual interest income will be affected not only by future interest rates, but also by the Council's cash flows and the level of its revenue reserves and provisions.

9 Other

9.1 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).

9.2 The Council 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 Council 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.

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

9.4 Miffid 2 is a legislative framework instituted by the European Union to regulate the financial markets and improve protections for investors. This Council has elected for Professional Client Status which means that to be able to invest in certain investments, it must hold a minimum of £10m in investments. If this falls below the minimum level then access to certain financial market instruments could be made unavailable to this Council.

Appendix 1a – Arlingclose Limited Economic & Interest Rate Forecast December 2021

Economic background:

The ongoing impact on the UK from coronavirus, together with higher inflation, 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) increased Bank Rate to 0.25% in December 2021 while maintaining its Quantitative Easing programme at £895 billion. The Monetary Policy Committee (MPC) voted 8-1 in favour of raising rates, and unanimously to maintain the asset purchase programme.

Within the announcement the MPC noted that the pace of the global recovery was broadly in line with its November Monetary Policy Report. Prior to the emergence of the Omicron coronavirus variant, the Bank also considered the UK economy to be evolving in line with expectations, however the increased uncertainty and risk to activity the new variant presents, the Bank revised down its estimates for Q4 GDP growth to 0.6% from 1.0%. Inflation was projected to be higher than previously forecast, with CPI likely to remain above 5% throughout the winter and peak at 6% in April 2022. The labour market was generally performing better than previously forecast and the BoE now expects the unemployment rate to fall to 4% compared to 4.5% forecast previously, but notes that Omicron could weaken the demand for labour.

UK CPI for November 2021 registered 5.1% year on year, up from 4.2% in the previous month. Core inflation, which excludes the more volatile components, rose to 4.0% y/y from 3.4%. The most recent labour market data for the three months to October 2021 showed the unemployment rate fell to 4.2% while the employment rate rose to 75.5%.

In October 2021, the headline 3-month average annual growth rate for wages were 4.9% for total pay and 4.3% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 1.7% while regular pay was up 1.0%. The change in pay growth has been affected by a change in composition of employee jobs, where there has been a fall in the number and proportion of lower paid jobs.

Gross domestic product (GDP) grew by 1.3% in the third calendar quarter of 2021 according to the initial estimate, compared to a gain of 5.5% q/q in the previous quarter, with the annual rate slowing to 6.6% from 23.6%. The Q3 gain was modestly below the consensus forecast of a 1.5% q/q rise. During the quarter activity measures were boosted by sectors that reopened following pandemic restrictions, suggesting that wider spending was flat. Looking ahead, while monthly GDP readings suggest there had been some increase in momentum in the latter part of Q3, Q4 growth is expected to be soft.

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 4.9% year-on-year in November, the fifth successive month of inflation. Core CPI inflation was 2.6% y/y in November, the fourth 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 2.1% in Q3 2021, slowing sharply from gains of 6.7% and 6.3% in the previous two quarters. In its December 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 earlier than previously stated and signalled they are in favour of tightening interest rates at a faster pace in 2022, with three 0.25% movements now expected.

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 had steadily edged down throughout the year up until mid-November when the emergence of Omicron has caused them to rise modestly. However, the generally 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 and even making a handful of rating upgrades.

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 continue to rise in calendar Q1 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 again, 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 become more balanced.

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 0.65%, 0.90%, and 1.15% respectively. The risks around for short and medium-term yields are initially to the upside but shifts lower later, while for long-term yields the risk is to the upside. However, 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 as Appendix 1b.

Appendix 1b – Arlingclose Limited underlying assumptions as at December 2021

The global recovery from the pandemic has entered a more challenging phase. The resurgence in 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. The advent of the Omicron variant of coronavirus is affecting activity and is also a reminder of the potential downside risks.

Despite relatively buoyant activity survey data, official GDP data indicates that growth was weakening into Q4 2021. Other data, however, suggested continued momentum, particularly for November. Retail sales volumes rose 1.4%, PMIs increased, and the labour market continued to strengthen. The end of furlough did not appear to have had a significant impact on unemployment. Wage growth is elevated.

The CPI inflation rate rose to 5.1% for November and will rise higher in the near term. While the transitory factors affecting inflation are expected to unwind over time, policymakers' concern is persistent medium term price pressure.

These factors prompted the MPC to raise Bank Rate to 0.25% at the December meeting. Short term interest rate expectations remain elevated.

The outlook, however, appears weaker. Household spending faces pressures from a combination of higher prices and tax rises. In the immediate term, the Omicron variant has already affected growth – Q4 and Q1 activity could be weak at best.

Longer-term government bond yields remain relatively low despite the more hawkish signals from the BoE and the Federal Reserve. Investors are concerned that significant policy tightening in the near term will slow growth and prompt the need for looser policy later. Geo-political and coronavirus risks are also driving safe haven buying. The result is a much flatter yield curve, as short-term yields rise even as long-term yields fall.

The rise in Bank Rate despite the Omicron variant signals that the MPC will act to bring inflation down whatever the environment. It has also made clear its intentions to tighten policy further. While the economic outlook will be challenging, the signals from policymakers suggest their preference is to tighten policy unless data indicates a more severe slowdown.

Forecast:

The MPC will want to build on the strong message it delivered this month by tightening policy despite Omicron uncertainty.

Arlingclose therefore expects Bank Rate to rise to 0.50% in Q1 2022, but then remain there. Risks to the forecast are initially weighted to the upside, but becoming more balanced over time. The Arlingclose central forecast remains below the market forward curve.

Gilt yields will remain broadly flat from current levels. Yields have fallen sharply at the longer end of the yield curve, but expectations of a rise in Bank Rate have maintained short term gilt yields at higher levels.

Easing expectations for Bank Rate over time could prompt the yield curve to steepen, as investors build in higher inflation expectations.

The risks around the gilt yield forecasts vary. The risk for short and medium term yields is initially on the upside but shifts lower later. The risk for long-term yields is weighted to the upside.

	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	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
3-month money market ra													
Upside risk	0.05	0.05	0.25	0.35	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.25	0.55	0.55	0.60	0.60	0.60	0.60	0.65	0.65	0.65	0.65	0.65	0.65
Downside risk	0.00	-0.25	-0.25	-0.30	-0.30	-0.30	-0.30	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35
5yr gilt yield													
Upside risk	0.00	0.35	0.45	0.55	0.55	0.55	0.55	0.55	0.55	0.50	0.50	0.45	0.45
Arlingclose Central Case	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.65	0.70	0.75	0.75
Downside risk	-0.10	-0.20	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40
10yr gilt yield													
Upside risk	0.10	0.25	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	0.80	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.90	0.90	0.95	0.95
Downside risk	-0.10	-0.25	-0.30	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.40	-0.40	-0.40	-0.40
20yr gilt yield													
Upside risk	0.30	0.40	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	1.00	1.05	1.10	1.10	1.10	1.10	1.15	1.15	1.15	1.20	1.20	1.20	1.20
Downside risk	-0.15	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45
50yr gilt yield													
Upside risk	0.25	0.30	0.40	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.70	0.75	0.80	0.85	0.90	0.95	1.00	1.05	1.05	1.10	1.10	1.15	1.15
Downside risk	-0.15	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%
PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Appendix 2 – Investment criteria definitions

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 Council banks with Lloyds (Lloyds Banking Group). On adoption of this Strategy, it will meet the minimum credit criteria of A- (or equivalent) long term. It is the Council's intention that even if the credit rating of Lloyds Bank falls below the minimum criteria A- the bank will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

Policy Investments: The Council will provide cash flow for third party organisations linked to the Council. The following limit is set for 2022/23:

- Publica Group - £0.5m up to one year duration
- Ubico - £0.5m up to one year duration

WORK PLAN 2021/22

COMMITTEE DATE	ITEMS
27 January 2022	Internal Audit Monitoring Report
	Aged Debtor Analysis
	Grant Thornton Reports
	Corporate Risk Register Update
	Annual Governance Statement Update
	CIPFA Prudential code and Treasury Management Code
	Medium Term Financial Strategy and Budget 2022/23
	Work Plan 2021/22
28 April 2022	Grant Thornton Reports
	Grant Thornton Assurance
	Annual Governance Statement Update
	Corporate Risk Register Updates
	Counter Fraud Unit Report and Annual RIPA/IPA Update
	Internal Audit Monitoring Report
	Proposed 2022/23 Internal Audit Plan and Internal Audit Charter
	KPMG LLP Reports – Housing Benefit Subsidy Certification
	Work Plan 2022/23

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