

Public Document Pack



COTSWOLD
DISTRICT COUNCIL

Wednesday, 18 January 2023

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AUDIT COMMITTEE

A meeting of the Audit Committee will be held at CDC Trinity Road, Cirencester, GL7 1PX on **Thursday, 26 January 2023 at 4.00 pm.**

Rob Weaver
Chief Executive

To: Members of the Audit Committee
(Councillors Tony Berry, Patrick Coleman, Nick Maunder, Nigel Robbins, Gary Selwyn, Tom Stowe 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 - 12)**
To confirm the minutes of the meeting of the Committee held on the 29th September 2022
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 if they cannot be dealt with at the meeting.
7. **2021/22 Statement of Accounts and Audit Opinion- Update (Pages 13 - 20)**
Purpose
The purpose of this report is to inform Members of audit progress for the Council's Statement of Accounts for 2021/22 and provision of the audit opinion. The Committee is advised that the deadline for issuing a final set of audited Statements of Accounts and Audit Opinion of 30 November 2022 was not met.

Recommendations
That the Audit Committee:
 - i) Note the Statement of Accounts Update Report
 - ii) Note the indicative timetable for approval of the 2021/22 Statement of Accounts and receiving the Audit opinion.
 - iii) Note the outcome from the PSAA tender exercise and the appointment of Bishop Fleming for a 5-year period commencing for the 2023/24 audit year
8. **Annual Ombudsman Report (Pages 21 - 34)**
Purpose
This report informs Audit Committee about the annual Local Government & Social Care Ombudsman's (LGO's) letter 2022

Recommendation
That the Committee note the Ombudsman's letter

9. **Elected Member Code of Conduct (Pages 35 - 72)**

Purpose

This report sets out the proposed Member Code of Conduct.

Recommendation

That the Audit Committee recommends the Draft Gloucestershire wide Code of Members' Conduct (as annexed to this report) for onward approval by Full Council.

10. **Feedback from the Peer Review- Governance Arrangements (Pages 73 - 84)**

Purpose

To consider the Local Government Association's Feedback Report, and, to review the Action Plan that details how the recommendations relating to the responsibilities of this Committee will be implemented.

Recommendation

That Audit Committee:

Note the Committee's activity over the last year and identify any gaps in the governance framework.

11. **Internal Audit Progress Report (Pages 85 - 106)**

Purpose

To present a summary of the audit work concluded since the last meeting of this Committee.

Recommendation

That the Committee considers the reports at Annexes A and B and comments as necessary

12. **Treasury Management Half Year Report 2022-23 (Pages 107 - 120)**

Purpose

To receive and discuss details of the Council's Treasury Management performance for the period 01 April to 30 September 2022.

Recommendation

That the Council's Treasury Management performance for the period 1 April 2022 to 30 September 2022 is considered and is forwarded to Council to note.

13. **Annual Capital Strategy 2023/24 (Pages 121 - 138)**

Purpose

The Council is required to approve a Capital Strategy for 2023/24 before 01 April 2023. The Capital Strategy 2023/24 (Appendix 1) is in accordance with CIPFA's "Prudential Code" and the "Treasury Management Code of Practice" 2021, and the former Ministry of Housing, Communities and Local Government (MHCLG) guidance on Local Government Investments

Recommendation

That the Committee considers the draft Capital Strategy for 2023/24 and provides feedback to the Cabinet and Council for consideration as part of the Council's budget setting process.

14. **Annual Treasury Management Strategy and Annual Non-Treasury Investment Strategy 2023-24** (Pages 139 - 174)

Purpose

The Council is required to approve a Treasury Management Strategy and Non-Treasury Investment Strategy (Investment Strategy) for 2022/23 before 01 April 2023.

The attached Treasury Management Strategy Statement (TMSS) for 2022/23 (Appendix 1) and Non-Treasury Investment Strategy (Appendix 2) is prepared in accordance with the “Prudential Code” and the “Treasury Management Code of Practice” (2021 Editions), and the former Ministry of Housing, Communities and Local Government (MHCLG) revised guidance on Local Government Investments

Recommendation

That the Committee considers the draft Treasury Management and Non Treasury Investment Strategy for 2023/24 and provides feedback to the Cabinet and Council for consideration as part of the Council’s budget setting process.

15. **Work Plan** (Pages 175 - 178)

Purpose

To review the work plan for the 2023 calendar year.

(END)

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Minutes of a meeting of Audit Committee held on Thursday, 29 September 2022.

Councillors present:

	Nick Maunder - Chair
Tony Berry	Gary Selwyn
Patrick Coleman	Tom Stowe

Officers present:

Jo Moore – Chief Finance Officer
Angela Claridge – Director for Governance
Mandy Burge – Head of Finance
Debra Goodall – Business Manager for Finance
Emma Cathcart – Head of Counter Fraud and Enforcement Unit
Meriel Clementson – Manager, External Auditor (Grant Thornton)
Lucy Cater – Assistant Director, Internal Auditor (SWAP)
Claire Hughes – Business Manager for Corporate Responsibility
Caleb Harris – Democratic Services
Wayne Smith – Democratic Services

Observers:

Councillors Mike Evemy, Stephen Andrews

157 Apologies

Apologies had been received from Councillor Nigel Robbins

Councillor Theodoulou advised he would be arriving late

158 Substitute Members

Councillor Roly Hughes was Substitute Member for Councillor Nigel Robbins

159 Declarations of Interest

There were no Declarations of Interest from Members

There were no Declarations of Interest from Officers

160 Minutes

The Committee requested the titles of Chair and Vice Chair should be included alongside their names.

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Min 151 (para 5) “The Council noted that five key Council areas will continue to be audited each year”, should read, The **Committee** noted that five key Council areas will continue to be audited each year.

(para 6) “The Council noted that the Summary of Audits By Type showed the Councils audits were broadly in line...” should read, The **Committee** noted that the Summary of Audits By Type showed the Councils audits were broadly in line...”

Min 155 (para 6) “The Committee noted that the risk register could include risks that, for legitimate reasons (cost, complexity) would not be mitigated, and were therefore accepted by the Council”, should read, The Committee noted that the risk register could include risks that, for legitimate reasons (cost, complexity) would not be mitigated, and were therefore accepted by the **Committee**.”

RESOLVED: Subject to the inclusion of the above amendments, the Committee agreed that the Minutes of the Audit Committee held on 21 July 2022 were an accurate record.

Voting Record – For 4, Against 0, Abstentions 2, Absent 2

161 Public Questions

There were no Public Questions.

162 Member Questions

There were no Member Questions

163 Informing the Audit Risk Assessment - External Assurances

The purpose of the report was to consider proposed management responses to the external auditor’s questions to inform their assessment of risk, to underpin the audit of the accounts for the year ended 31 March 2022.

The Chief Finance Officer introduced the report that is presented by external auditors every year, asking questions to inform its risk plan and identify how the Council identifies risks and fraud and how accounting estimates are used.

The Committee noted that although the structure of the report was similar each year, the specific audits undertaken were different.

The Committee noted that benefit fraud was the responsibility of the Department of Work and Pensions. Auditors still investigate and report on the Council Tax Reduction scheme, but this is not considered in the same way as other benefits.

The Committee noted that financial and legal advisors are regularly reviewed to ensure they are best qualified to provide specialist advice.

The Committee noted that the details of the Green Bond would not appear until the 2022/23 reports are published.

The Committee noted that the accounting estimates section of the report provided details of any business rates pool challenges.

The Committee suggested whether the report could include “Councillors are encouraged to report any incidences of non-compliance with laws and regulations”

RESOLVED: The Committee noted and confirmed their understanding and agreement with the responses provided by management to the auditors in Annex A and confirmed their understanding and agreement with the approach to estimates set out in Annex B

164 2021/22 Audit Plan

The purpose of the report was to receive details from Grant Thornton, the Council’s external auditors regarding the audit plan for 2021/22

The External Auditor introduced the report summarising the Audit Plan and providing specific details in a number of cases.

The Committee noted that the external Auditors approach of focussing areas of higher risk had remained the same as in previous years.

The Committee noted that the following Significant Risks had been identified:

- Management override of controls
- Revenue and expenditure recognition (rebutted)
- Valuation of land and buildings
- Valuation of investment properties
- Valuation of the net pension fund liability

The Committee noted that, although the Council had a good record of delivering to budget, financial challenges from increased utility costs, increased demand for services and the cost of living crisis would mean that there would be weakness in delivering financial sustainability in the medium term.

The Committee noted that most audits should be completed before Christmas 2022 and signed off at Audit Committee in January 2023 (2 months earlier than 2022). The Publica Head of Finance confirmed that additional resources had been made available to ensure the auditors would be provided with what they would need in order to meet these timescales.

The Committee noted that the audit fees had increased by 9.3% due to the additional costs involved in remote auditing. This uplift would be removed if on-site audits can be completed.

The Committee noted that the approach and schedule of audits followed standard guidelines and were not controlled by the Council.

The Council noted the Significant Risk identified to the Pension Fund net liability was due to an actuary valuation arranged by Gloucestershire County Council who administer the Pension fund on behalf of other Councils.

RESOLVED: the Committee considered and noted the Grant Thornton Audit Plan for 2021/22

165 Treasury Management Outturn 2021/22

The purpose of the report was to present to the Committee the annual review of treasury management activity for the financial year 2021/22

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The Chief Finance Officer introduced the report and summarised the activity undertaken and the key elements of the Council's borrowing and investments. As the Council did not have any external borrowing, the report therefore focussed on the Council's investments.

The Committee welcomed that:

- There had been no breaches of the Council's investment policy
- The investments had outperformed the market, mainly due to the pooled investment funds
- The Council had no exposure to Russian or Belarussian assets

The Committee noted that, more recently, the Capital Fund had reported a loss of £426K, and current figures would be reported in the MTFS.

The Committee noted comparator figures with similar Councils would be available following the next meeting with the Council's financial advisors.

RESOLVED: The Audit Committee received, discussed and noted the Annual Treasury Management Review for 2021/22.

166 Draft Statement of Accounts 2021/22

The purpose of this report was to present for consideration the published (unaudited) draft Statement of Accounts for the year ended 31 March 2022.

The Head of Finance introduced the report that was a completed version of a summary report that Audit Committee had previously received, and focussed on the Balance Sheet and Movement in Reserves Statement

The Committee noted that:

Balance Sheet

- Council's Property Plant & Equipment values had increased to £61M
- Short term investment had increased by £5.5m
- Cash and cash equivalents had increased by £3.3M
- Pension liability had reduced by £10.7M
- The number of Council debtors had reduced

Reserves

- Usable reserves had remained around the same at £25.6M
- General Fund increased to £2.5M

The Committee noted the good set of accounts with an increasing balance sheet, but also noted the significantly challenging current economic climate that will materially affect figures going forward.

The Committee noted there had been an underspend on Capital Projects as several of these had not yet started.

The Committee noted that the accounts were published on 250822 (later than the deadline of 300722), although this did not have any consequences.

RESOLVED: Audit Committee noted the draft unaudited Statement of Accounts 2020/21 (attached at Annex A), and the Key highlights from the Statement of Accounts 2021/22 as set out within the report.

167 Counter Fraud and Anti-Corruption Policy

The purpose of the report was to present Audit Committee with an updated Counter Fraud and Anti-Corruption Policy for comment, and recommendation to Cabinet for approval. The Policy had been reviewed to ensure the content reflected current legislation and the Council's Policies and Procedures and would replace the existing Counter Fraud and Anti-Corruption Policy.

The Head Of Counter Fraud and Enforcement Unit Emma Cathcart introduced the report and summarised the changes in the report.

The Committee noted that the inclusion of additional elements to the policy (e.g. on Modern Slavery) would usually be followed by awareness training for Officers in related service areas e.g. Housing Officers (to be aware of illegal property occupants and Licensing Officers (to be mindful of illegal business employees).

The Council noted that the Council already had working relationships with charities and social housing groups, and the new entry to the policy was made to recognise close working with Cheltenham Trust and the wider counter fraud partnership.

RESOLVED: the Committee considered commented and noted the draft Counter Fraud and Anti-Corruption Policy.

168 Counter Fraud and Enforcement Unit Fraud Risk Strategy

The purpose of the report was to present Audit Committee with a Fraud Risk Strategy, so that they may consider the approach taken by the Counter Fraud Partnership, provide assurance to the Audit Committee that the risks of fraud committed against the Council are recognised, managed and mitigated for in accordance with Council priorities, and understand changing fraud trends.

The Head of the Counter Fraud and Enforcement Unit introduced the report and provided an overview of the intended changes to the strategy to make it more relevant to officers at a Service Area level. The overarching general Fraud Risk Register would be supplemented by Service Specific Risk Registers e.g. Revenues Fraud Risk Register, Benefits Fraud Risk Register etc highlighting their individual risks.

The Committee noted that a number of methods of money laundering had been identified, and officers were regularly trained to ensure they were aware of the latest methods being employed.

RESOLVED: The Committee considered and noted the Counter Fraud and Enforcement Unit Fraud Risk Strategy and associated work streams.

169 Counter Fraud and Enforcement Unit Update

The purpose of the report was to provide Audit Committee with assurance over the counter fraud activities of the Council. Direct updates would continue to be provided biannually and

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work plans would be presented to the Committee (detailing progress and results for consideration and comment) as the body charged with governance in this area

The Head of the Counter Fraud and Enforcement Unit introduced the regular report confirming that:

- Business Grants review and recovery work was ending, but enforcement work was continuing.
- The £150 Energy Rebate work was ending and only the discretionary schemes were still in operation.
- The Test and Trace Audit has been completed
- The Energy Project work was starting.

The £319K of overpaid Covid payments were being recovered through payment plans that could run until 31 December 2025.

RESOLVED: Audit Committee considered and commented and noted the Counter Fraud and Enforcement Unit Update report and the work plan at Annex A

170 Corporate Risk Register

The purpose of the report was to bring Members the current version of the Strategic Risk Register for information and assurance that risks to the Council were being managed, and appropriate actions were being taken to mitigate risk

The Business Manager for Corporate Responsibility introduced the report that had been reformatted to align more closely with the Council's Corporate Plan Priorities. A number of higher risks were then described including additional fuel cost and agency staff cost pressures in the Waste and Recycling Service, and the (not yet approved) Staff Pay Award and whether allocated budgets would be sufficient.

The Committee noted the difficulties with recruiting and retaining Officers to particular Service Areas and noted the reduction in exit interviews due to the pandemic.

RESOLVED: Audit Committee noted the Strategic Risk Register.

171 Annual Governance Statement

The purpose of the report was to present to Audit Committee the draft Annual Governance Statement (AGS) for the financial year 2021/2022 and action plan for 2022/2023

The Business Manager For Corporate Responsibility introduced the report and summarised the Governance statement for the previous year, and work that would be carried out in the coming year, including:

- Raising Awareness of Contract Procedure Rules
- Development and Training of Members
- Budget Management
- Risk Management Training
- Compliance with Audit Recommendations
- Business Continuity Planning and Testing

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The Committee noted that progress on the focussed areas of work would be included in an Action Plan that would be presented at each Audit Committee.

The Committee welcomed the broad range of areas covered showing the Council's ability to be self-critical and improve its Governance.

The Committee welcomed the additional development and training of Members.

The Committee noted a report with year on year (track-change) progress of actions that had been produced and would be sent to Committee Members by Democratic Services.

The Committee noted that an update on progress against key recommendations from the previous Peer Review (held three years ago) would be available and incorporated into the next Peer Review, due to start on 10 October 2022.

RESOLVED: Audit Committee received and discussed and noted the draft Annual Governance Statement for 2021/2022 and action plan for 2022/2023

172 Internal Audit Progress Reports

The purpose of the report was to present a summary of the audit work concluded since the last meeting of Audit Committee.

The Assistant Director SWAP Internal Auditors introduced the regular report and summarised the work that the team were currently undertaking.

The Committee noted that four audits had been completed, all resulting actions were being implemented and no fraud was found.

The Committee noted that Council's Procurement Cards had been given a Low Limited Assurance and Business Manager Finance was working with the bank to improved procedures and controls.

The Committee noted that purchases of goods and services made with a Council's Procurement Card were included in the Council's Procurement Strategy.

The Committee noted the Business Manager Finance was re-writing the policy including moving from physical cards to more secure bank processed payments.

RESOLVED: Audit Committee considered, commented and noted the reports at Annexes A and B of the Internal Audit Progress Reports

173 Annual Standards Update

The purpose of this report was to advise Audit Committee of standards issues, including complaints against members for the year ending 31 March 2022.

The Director For Governance introduced the report and summarised Audit Committee's responsibility for maintaining and promoting good conduct by District and Town & Parish Councillors.

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The Committee noted that seven formal complaints had been formally raised and investigated and a further six that were reported but not pursued.

The Committee noted that Councillors social media activity had the potential to generate increased complaints and welcomed the Social Media Training for Members that had been offered.

RESOLVED: Audit Committee noted the Annual Standards Update report.

174 Work Plan

Audit Committee noted the Work Plan and requested 'Review of the Ombudsman Letter' to be added to the January Audit Committee.

The Meeting commenced at 4.00 pm and closed at 6.00 pm

Chair

(END)



Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 26 JANUARY 2023
Subject	2021/22 STATEMENT OF ACCOUNTS AND AUDIT OPINION - UPDATE
Wards affected	All
Accountable member	Cllr Mike Every, Deputy Leader and Cabinet Member for Finance Email: mike.every@cotswold.gov.uk
Accountable officer	David Stanley, Deputy Chief Executive and Section 151 Officer Email: david.stanley@cotswold.gov.uk
Summary/Purpose	The purpose of this report is to inform Members of audit progress for the Council's Statement of Accounts for 2021/22 and provision of the audit opinion. The Committee is advised that the deadline for issuing a final set of audited Statements of Accounts and Audit Opinion of 30 November 2022 was not met.
Annexes	None
Recommendation(s)	<ul style="list-style-type: none"> <i>i) Note the Statement of Accounts Update Report</i> <i>ii) Note the indicative timetable for approval of the 2021/22 Statement of Accounts and receiving the Audit opinion.</i> <i>iii) Note the outcome from the PSAA tender exercise and the appointment of Bishop Fleming for a 5-year period commencing for the 2023/24 audit year</i>
Corporate priorities	<ul style="list-style-type: none"> • Delivering our services to the highest standards
Key Decision	NO
Exempt	NO
Consultees/ Consultation	N/A



I BACKGROUND

- 1.1 This report updates members on the status of the 2021/22 Statement of Accounts and Audit Opinion.

2 INTRODUCTION

- 2.1 Owing to the impact of Covid-19 deadlines and the wider public audit issues; completion and publication of the Local Authority Statement of Accounts since 2019/20 have been amended with more time being given to complete draft accounts and receive the audit opinion.
- 2.2 However, local audit performance has continued to be concerning, as shown in the table below

Year of Accounts	Publishing Date	Opinions given at publishing date
2020/21	30 September 2021	9%
2019/20	30 November 2020	45%
2018/19	31 July 2019	57%

- 2.3 The table below sets out the changes made to the deadlines, as set out in the Accounts and Audit (Coronavirus) (Amendment) Regulations 2022 which came into force on 22 July 2022.

Action	Deadline as set out in Accounts and Audit Regulations 2015	For Financial Year 2021/22	For Financial Years 2022/23 to 2027/28
Draft Accounts completion	31 May	31 July	31 May
Public Inspection period	First 10 working days of June of the financial year immediately following the end of the financial year to which the statement relates	First 10 working days of August of the financial year immediately following the end of the financial year to which the statement relates	First 10 working days of June of the financial year immediately following the end of the financial year to which the statement relates
Publication of Accounts	31 July	30 November	30 September

- 2.4 For audit years from 2022/23, the deadlines were amended to 31 July (for publication of the Draft Accounts) and 30 November (for the publication of Accounts and Audit Opinion relating to 2021/22 financial year) reverting back to 30 September (for the publication of Accounts and Audit Opinion relating to 2022/23 through to 2027/28 financial years).
- 2.5 The Council published a draft set of the Annual Statement of Accounts for the 2021/22 financial year on the Council's website: CDC Draft Statement of Accounts 2021/22
- 2.6 The Council is required under regulation to obtain an independent external audit opinion on the true and fair nature of the statement of accounts. Following provision of the external audit



opinion the relevant Council Committee (being Audit Committee) is required to approve the accounts and publish both the approved set of account and the audit opinion by 30 November 2022.

- 2.7 Where this has not been possible and authorities are required to place a notice on their webpage to this effect. A notice has been placed on the Council's website to this effect: [Audit Delay Notice 2021/22](#)
- 2.8 As at the publishing date of 30 November 2022, only 12% of local government bodies' 2021/22 audit opinions have been given. Although this is slightly higher than last year's 9%, this year's publishing date is two months later than the 30 September target for delivery of 2020/21 opinions.
- 2.9 The commentary below was made by the PSAA in relation to the level of audit opinions given at the publishing date:

What makes the latest position increasingly alarming is that more than 220 opinions from prior years remain outstanding. As opinions have been given at fewer than 60 bodies for 2021/22, this means that a total of more than 630 opinions are currently late. This year the position has been made more difficult by uncertainties concerning the valuation of infrastructure assets, adding to significant ongoing challenges of recruiting and retaining sufficient staff with the requisite knowledge, skills and experience to both prepare and audit the accounts to the required standard.

Steve Freer, PSAA's Chair said,

"The scale of the backlog of outstanding opinions is such that it is beginning to seriously undermine the financial management, governance and accountability of local government bodies. As 2023 approaches more than 160 bodies are still awaiting audit opinions for both 2020/21 and 2021/22 and for some even earlier years. As a result they are making decisions, managing multiple financial challenges and laying plans for the future with limited assurance about their underlying financial positions. The local audit system desperately needs to find a way of clearing the backlog and restoring the norm of timely opinions as quickly as possible."

3 CURRENT STATUS OF THE AUDIT

- 3.1 Members will be aware from the meeting in April 2022 that the Council's external auditors set out in the Audit Plan an outline of the timetable and work required to complete their audit and issue an Audit Results Report.
- 3.2 Detailed audit work and testing took place week commencing 17th October 2022 for a 7-week period with the external audit team remaining active on the audit to work through and resolve audit issues and differences.



- 3.3 It became clear during November 2022 that the audit opinion would not be issued in accordance with the statutory deadline. As set out in para 2.6, a notice has been placed on the Council's website to this effect.
- 3.4 The completion of the audit requires the Council's finance team and the external auditors to have adequate resources booked to the Council. Given the pressures on the Council's finance team to complete key tasks around the 2023/24 budget and that Grant Thornton did not have resources availability until early 2023 it was decided to put the audit on-hold until February 2023.
- 3.5 This would allow the finance team to complete work on the 2023/24 budget setting process unencumbered by other work pressures. The audit would be reconvened in mid-February with the intention to have a scaled-up audit resource to allow the completion of the audit process to be achieved in advance of the next meeting of Audit Committee in April 2023.
- 3.6 In order to conclude the audit 2021/22 and subject to the following additional actions:
- Updated Disclosure Note valid for an 18-month period from the proposed audit opinion issue date. This will address any Going Concern issues with a cashflow forecast covering the period required. This sets out the updated impact on the Council's finances from and any Post Balance Sheet Event (PBSE) given the ongoing risk this may pose to the Council's financial standing.
 - Consideration will need to be given to any adjustments proposed by Grant Thornton to the financial statements. The Council will need to satisfy itself that these adjustments are reasonable and supported by appropriate evidence and detailed accounting guidance.
 - Production of updated Statement of Accounts with supporting notes and narrative statement (where appropriate)
 - Review of Statement of Accounts by Grant Thornton including any internal consultation process prior to the issuing of any proposed audit opinion.
- 3.7 At the time of writing, it is not clear when the audit opinion will be received as outlined above. It had been anticipated that the audited Statement of Accounts, Audit Opinion, and the Final Audit Results Report will be available in early 2023 with the next scheduled meeting of the committee (i.e. 23 April 2023).

4 2022/23 STATEMENT OF ACCOUNTS AND AUDIT TIMINGS

- 4.1 Deadlines for the completion and publication 2021/22 and subsequent accounts were amended as part of the Government's response to the recommendations contained in the independent Redmond Review into the effectiveness of external audit and transparency of financial reporting in local authorities. The Redmond review reported on 08 September 2020 with the Government responding in December 2021.
- 4.2 The regulations amended the draft and final accounts publication deadlines for relevant bodies as set out in the table below. The regulations come into force on 22 July 2022.



Action	Deadline as set out in Accounts and Audit Regulations 2015	For Financial Year 2021/22	For Financial Years 2022/23 to 2027/28
Draft Accounts completion	31 May	31 July	31 May
Public Inspection period	First 10 working days of June of the financial year immediately following the end of the financial year to which the statement relates	First 10 working days of August of the financial year immediately following the end of the financial year to which the statement relates	First 10 working days of June of the financial year immediately following the end of the financial year to which the statement relates
Publication of Accounts	31 July	30 November	30 September

4.3 The Council has amended its accounts closure process to meet the revised Accounts and Audit Regulation 2022 timetable.

4.4 At the time of writing it is unclear whether the Draft Accounts deadline and Public Inspection period will be amended, as was the case of the 2020/21 and 2021/22 Accounts. The Government has indicated that it will consult on the date as part of their response to the Redmond Review ([Measures to improve local audit delays](#), DLUHC December 2021)

“In addition, subject to consultation, our intention is for the deadline for preparing draft accounts to revert to 31 May for the 22/23 accounts onwards. The extended deadline of 31 July will still apply for the 21/22 accounts. We are confident local authorities will be able to meet this requirement and believe reverting to an earlier deadline is important to minimise disruption to the Whole of Government Accounts.”

4.5 The audit of the 2022/23 financial statements will commence once the 2021/22 Audit has completed and there may be other resourcing issues for Grant Thornton to consider. At this early planning stage it is anticipated that the 2022/23 audit work will be completed by the statutory deadline. Further discussions will need to take place over the coming weeks with Grant Thornton to schedule the 2022/23 audit work.

5 PSAA CONTRACT ARRANGEMENTS FROM APRIL 2024

5.1 The PSAA consulted on and confirmed auditor appointments from 2023/24 to opted-in bodies in the period October to December 2022, following award of contracts to audit firms in August and September. The exercise covered all bodies that had opted in before 31 December 2022.



- 5.2 The Council received formal notification in December 2022 from the PSAA that Bishop Fleming LLP have been appointed as the external auditor for Cotswold District Council following a short period of review. Bishop Fleming LLP will also be the appointed auditor for Forest of Dean District Council and West Oxfordshire District Council. The table below shows all the clients Bishop Fleming LLP will have under the PSAA contract.

Audit Year	Organisation	Sector Type
2023-2024	Avon Fire Authority	Fire and Rescue Authority
2023-2024	Bromsgrove District Council	District Council
2023-2024	Cheltenham Borough Council	District Council
2023-2024	Cherwell District Council	District Council
2023-2024	Chief Constable of Gloucestershire	Chief Constable
2023-2024	Chief Constable of West Mercia	Chief Constable
2023-2024	Chief Constable of Wiltshire	Chief Constable
2023-2024	Cotswold District Council	District Council
2023-2024	Dartmoor National Park Authority	National Park Authority
2023-2024	Devon and Somerset Fire Authority	Fire and Rescue Authority
2023-2024	Dorset and Wiltshire Fire and Rescue Authority	Fire and Rescue Authority
2023-2024	Forest of Dean District Council	District Council
2023-2024	Gloucester City Council	District Council
2023-2024	Hereford and Worcester Fire Authority	Fire and Rescue Authority
2023-2024	Mid Devon District Council	District Council
2023-2024	North Devon District Council	District Council
2023-2024	Police and Crime Commissioner for Gloucestershire	Police and Crime Commissioner
2023-2024	Police and Crime Commissioner for West Mercia	Police and Crime Commissioner
2023-2024	Police and Crime Commissioner for Wiltshire	Police and Crime Commissioner
2023-2024	Redditch Borough Council	District Council
2023-2024	South Hams District Council	District Council
2023-2024	South Oxfordshire District Council	District Council
2023-2024	Stroud District Council	District Council
2023-2024	Tewkesbury Borough Council	District Council
2023-2024	Torridge District Council	District Council
2023-2024	Vale of White Horse District Council	District Council
2023-2024	West Devon Borough Council	District Council
2023-2024	West Oxfordshire District Council	District Council
2023-2024	Wyre Forest District Council	District Council

- 5.3 It is expected that initial engagement between the Council and Bishop Fleming will take place during the 2022/23 with the timing and form of engagement to an extent dependent on progress by Grant Thornton on the 2022/23 audit.

6 CONCLUSIONS

- 6.1 The Council will continue to engage with Grant Thornton to ensure the Audit Opinion can be provided within the indicative timescales set out in this report.
- 6.2 It is worth reassuring members that the additional time taken is not due to errors, omissions or matters concerning the quality of the final accounts.



7 FINANCIAL IMPLICATIONS

7.1 There are no financial implications arising from this report.

8 LEGAL IMPLICATIONS

8.1 There are no legal implications arising from this report

9 CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

9.1 None

10 ALTERNATIVE OPTIONS

10.1 None

(END)

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Agenda Item 8



COTSWOLD
DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 26 JANUARY 2023
Subject	ANNUAL OMBUDSMAN LETTER 2021/22
Wards affected	All
Accountable member	Cllr Joe Harris, Leader of the Council Email: joe.harris@cotswold.gov.uk
Accountable officer	Angela Claridge, Monitoring Officer Email: angela.claridge@cotswold.gov.uk
Summary/Purpose	This report informs Audit Committee about the annual Local Government & Social Care Ombudsman's (LGO's) letter 2022
Annexes	Annex A – LGO's 2021/22 annual review letter dated 20.07.2022 Annex B - complaints received in 2021/22 Annex C – complaints decided in 2021/22 Annex D – compliance with the Ombudsman's recommendations
Recommendation(s)	<i>That the Committee note the Ombudsman's letter</i>
Corporate priorities	Delivering our services to the highest standards
Key Decision	NO
Exempt	NO



1. BACKGROUND

- 1.1** At Full Council on 14 July 2021, the responsibilities for Audit Committee were amended to include:

”Formulating and keeping under review the Council’s arrangements for handling complaints and investigations by the Local Government Ombudsman (LGO)”.

- 1.2** The Annual Review Letter 2021/22 (attached at Annex A) sets out the complaints that were made against the Council in 2021/22, as well as the outcome of those complaints. Cabinet and Overview and Scrutiny Committee received a summary report on the LGO complaints as part of the 2022-23 Q1 performance monitoring report.

2. MAIN POINTS

- 2.1** The LGO received 14 complaints/enquiries about this Council (attached at Annex B), half of these related to Planning and Development. The other complaints related to Environmental services and Public Protection (four), Corporate and Other services (two), and Benefits and Tax (one). In the previous year, the Council received eight complaints/enquiries, of which four related to Planning and Development.
- 2.2** During the first wave of the Covid-19 outbreak, the LGO temporarily paused its casework for three months to allow authorities to concentrate efforts on vital frontline services. This will have reduced the overall number of complaints the LGO received and decided in the 2020-21. However, note that during the pre-Covid year (2019/20), the Council received six complaints/enquiries.
- 2.3** Fifteen decisions were made by the LGO in 2021/22 (attached at Annex C); six complaints were closed after initial enquiries, and a further six complaints were referred back to the Council for a local resolution. Three complaints were investigated in detail, of which two were upheld.
- 2.4** The number of complaints received and the number of complaints decided are different as not all of the complaints received in the year will have had a decision made in the same year.
- 2.5** The two upheld complaints related to Planning and Development and to Benefits and Tax.



2.6 Table 1 Complaints/enquires received, decided and upheld in 2021-22 for Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council

Council	Received	Decided	Upheld
Cotswold	14	15	2
Forest	6	7	0
West	7	9	1

- 2.7** The LGO's letter noted that it published a public report during 2021/22 about one of the upheld complaints relating to the Council's administration of council tax and the handling of a council tax arrears case. The LGO determined that the complainant had suffered an 'injustice'.
- 2.8** The public report, the Council and Publica's response to the complaint, and the actions taken in response to the Ombudsman's recommendations were reported to the Cabinet on 6 September 2021.
- 2.9** The LGO was satisfied that the Council had successfully implemented its recommendations and remedies in response to both upheld complaints (attached at Annex C).

3. LEGAL IMPLICATIONS

- 3.1** The Ombudsman's letter gives an indication of the Council's approach to dealing with complaints. A fair and open complaint handling process is one indicator of the strength of the Council's corporate governance arrangements.

4. BACKGROUND PAPERS

- 4.1** Cabinet report 06.09.2021: Ombudsman Decision – Reference 20 008 553 & Council Tax Section 13A Policy

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Local Government & Social Care OMBUDSMAN

20 July 2022

By email

Mr Weaver
Chief Executive
Cotswold District Council

Dear Mr Weaver

Annual Review letter 2022

I write to you with your annual summary of complaint statistics from the Local Government and Social Care Ombudsman for the year ending 31 March 2022. The information offers valuable insight about your organisation's approach to complaints. As such, I have sought to share this letter with the Leader of your Council and Chair of the appropriate Scrutiny Committee, to encourage effective ownership and oversight of complaint outcomes, which offer such valuable opportunities to learn and improve.

Complaint statistics

Our statistics focus on three key areas that help to assess your organisation's commitment to putting things right when they go wrong:

Complaints upheld - We uphold complaints when we find fault in an organisation's actions, including where the organisation accepted fault before we investigated. We include the total number of investigations completed to provide important context for the statistic.

Compliance with recommendations - We recommend ways for organisations to put things right when faults have caused injustice and monitor their compliance with our recommendations. Failure to comply is rare and a compliance rate below 100% is a cause for concern.

Satisfactory remedy provided by the authority - In these cases, the organisation upheld the complaint and we agreed with how it offered to put things right. We encourage the early resolution of complaints and credit organisations that accept fault and find appropriate ways to put things right.

Finally, we compare the three key annual statistics for your organisation with similar authorities to provide an average marker of performance. We do this for County Councils, District Councils, Metropolitan Boroughs, Unitary Councils, and London Boroughs.

Your annual data, and a copy of this letter, will be uploaded to our interactive map, [Your council's performance](#), on 27 July 2022. This useful tool places all our data and information

about councils in one place. You can find the detail of the decisions we have made about your Council, read the public reports we have issued, and view the service improvements your Council has agreed to make as a result of our investigations, as well as previous annual review letters.

Your organisation's performance

During the year, we published one public report about your Council's administration of council tax. Our investigation found the Council did not provide clear information to the complainant about his payment plan, it did not properly consider his request to write-off arrears, and it did not offer him discretionary relief when it should have done. The complainant suffered distress and a loss of opportunity to receive financial support. Further, the Council had no discretionary relief policy in place, meaning the same fault could recur in future.

To remedy the injustice identified we recommended the Council apologise to the complainant and make a payment for distress. We asked the Council to reconsider the request to write-off arrears and invite him to apply for discretionary relief. We also recommended the Council publish a discretionary relief policy and provide training to staff to ensure they give clear information on payment plans and offer relief where appropriate.

The Council did not comment on our draft report within the deadline and was unresponsive when we pressed for a response. After we issued the report, the Council asked for an additional opportunity to provide comments ahead of our press release. This was agreed but the Council still did not provide any comments. This shortfall in communication and action was disappointing. However, I note the Council's cabinet did later accept the recommendations of the report and completed these within the required timeframes.

Supporting complaint and service improvement

I know your organisation, like ours, will have been through a period of adaptation as the restrictions imposed by the pandemic lifted. While some pre-pandemic practices returned, many new ways of working are here to stay. It is my continued view that complaint functions have been under-resourced in recent years, a trend only exacerbated by the challenges of the pandemic. Through the lens of this recent upheaval and adjustment, I urge you to consider how your organisation prioritises complaints, particularly in terms of capacity and visibility. Properly resourced complaint functions that are well-connected and valued by service areas, management teams and elected members are capable of providing valuable insight about an organisation's performance, detecting early warning signs of problems and offering opportunities to improve service delivery.

I want to support your organisation to harness the value of complaints and we continue to develop our programme of support. Significantly, we are working in partnership with the Housing Ombudsman Service to develop a joint complaint handling code. We are aiming to consolidate our approaches and therefore simplify guidance to enable organisations to provide an effective, quality response to each and every complaint. We will keep you informed as this work develops, and expect that, once launched, we will assess your compliance with the code during our investigations and report your performance via this letter.

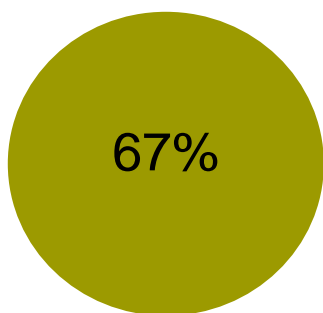
An already established tool we have for supporting improvements in local complaint handling is our successful training programme. We adapted our courses during the Covid-19 pandemic to an online format and successfully delivered 122 online workshops during the year, reaching more than 1,600 people. To find out more visit www.lgo.org.uk/training.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'MK' with a stylized flourish underneath.

Michael King
Local Government and Social Care Ombudsman
Chair, Commission for Local Administration in England

Complaints upheld



67% of complaints we investigated were upheld.

This compares to an average of **51%** in similar organisations.

2
upheld decisions

Statistics are based on a total of **3** investigations for the period between 1 April 2021 to 31 March 2022

Compliance with Ombudsman recommendations



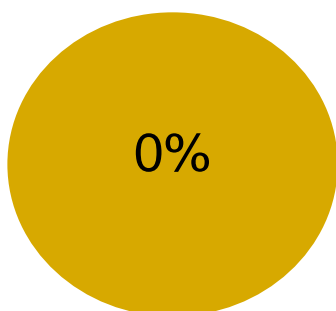
In **100%** of cases we were satisfied the organisation had successfully implemented our recommendations.

This compares to an average of **100%** in similar organisations.

Statistics are based on a total of **2** compliance outcomes for the period between 1 April 2021 to 31 March 2022

- Failure to comply with our recommendations is rare. An organisation with a compliance rate below 100% should scrutinise those complaints where it failed to comply and identify any learning.

Satisfactory remedy provided by the organisation



In **0%** of upheld cases we found the organisation had provided a satisfactory remedy before the complaint reached the Ombudsman.

This compares to an average of **20%** in similar organisations.

0
satisfactory remedy decisions

Statistics are based on a total of **2** upheld decisions for the period between 1 April 2021 to 31 March 2022

Annex B Complaints received in 2021-22

Reference	Category	Received
21002090	Environmental Services & Public Protection & Regulation	14/05/2021
21002160	Planning & Development	17/05/2021
21002173	Environmental Services & Public Protection & Regulation	18/05/2021
21002280	Planning & Development	11/06/2021
21003285	Planning & Development	07/06/2021
21003922	Environmental Services & Public Protection & Regulation	17/06/2021
21007013	Planning & Development	12/08/2021
21008602	Planning & Development	10/09/2021
21009271	Environmental Services & Public Protection & Regulation	15/10/2021
21013732	Corporate & Other Services	13/12/2021
21014506	Planning & Development	10/02/2022
21014612	Planning & Development	11/01/2022
21016902	Corporate & Other Services	15/02/2022
21017355	Benefits & Tax	07/03/2022

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Reference	Category	Decided	Decision	Decison Reason	Remedy	Service improvement recommendations
20006246	Planning & Development	21/05/2021	Not Upheld	no mal		
20008553	Benefits & Tax	05/08/2021	Upheld	mal & inj S30(1)	Apology,Financial redress: Avoidable distress/time and trouble,New appeal/review or reconsidered decision,Provide services to person affected,Provide training and/or guidance,Provide services/information to others affected,Procedure or policy change/review	The Council should publish its council tax discretionary relief policy on its website. This should include the process for considering a request, criteria for assessing a request and notice of the right to appeal the Council's decision to the Valuation Tribunal. The Council should provide training or guidance to relevant staff to ensure they inform customers of any opportunities to apply for benefits, discounts or relief on their council tax and to ensure they consider such requests in line with relevant policies. The council should remind staff of the need to provide clear information to customers about any council tax payment plans at the outset, including how or when they will end, details of any review and warning of any further recovery action.
20008874	Planning & Development	09/09/2021	Upheld	mal & inj	Financial redress: Avoidable distress/time and trouble,Provide training and/or guidance	The Council has agreed to remind all officers involved in deciding planning applications of the need to ensure the reasons for their decisions are fully explained so that people affected by the decision can clearly understand in a timely manner why development has been approved.
21002090	Environmental Services & Public Protection & Regulation	18/06/2021	Referred back for local resolution	Premature Decision - referred to BinJ		
21002160	Planning & Development	05/07/2021	Closed after initial enquiries	Not warranted by alleged injustice		
21002173	Environmental Services & Public Protection & Regulation	18/05/2021	Referred back for local resolution	Premature Decision - advice given		
21002280	Planning & Development	13/06/2021	Closed after initial enquiries	Not warranted by alleged mal/service failure		
21003285	Planning & Development	19/07/2021	Closed after initial enquiries	26(6)(b) appeal to Minister		
21003922	Environmental Services & Public Protection & Regulation	17/06/2021	Referred back for local resolution	Premature Decision - advice given		
21007013	Planning & Development	21/10/2021	Closed after initial enquiries	Not warranted by alleged mal/service failure		
21008602	Planning & Development	21/10/2021	Closed after initial enquiries	26(6)(b) appeal to Minister		
21009271	Environmental Services & Public Protection & Regulation	11/11/2021	Closed after initial enquiries	Sch 5.1 court proceedings		
21013732	Corporate & Other Services	13/12/2021	Referred back for local resolution	Premature Decision - advice given		
21014612	Planning & Development	10/02/2022	Referred back for local resolution	Premature Decision - referred to BinJ		
21017355	Benefits & Tax	29/03/2022	Referred back for local resolution	Premature Decision - referred to BinJ		

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Annex D Compliance with Ombudsman recommendations

Reference	Category	Decided	Remedy	Remedy Target Date	Remedy Achieved Date	Satisfaction with Compliance
20008553	Benefits & Tax	04-Aug-21	Apology Financial redress: Avoidable distress/time and trouble New appeal/review or reconsidered decision Provide services to person affected Provide training and/or guidance Provide services/information to others affected Procedure or policy change/review	05-Nov-21	05-Oct-21	Remedy complete and satisfied
20008874	Planning & Development	08-Sep-21	Financial redress: Avoidable distress/time and trouble Provide training and/or guidance	09-Oct-21	14-Oct-21	Remedy complete and satisfied

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Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 26 JANUARY 2023
Subject	GLOUCESTERSHIRE-WIDE CODE OF CONDUCT FOR ELECTED MEMBERS
Wards affected	ALL
Accountable member(s)	Cllr Joe Harris - Leader of the Council Email: joe.harris@cotswold.gov.uk
Accountable officer(s)	Angela Claridge, Director of Governance & Development Tel: 01282 623219 Email: angela.claridge@cotswold.gov.uk
Summary/Purpose	This report sets out the proposed Member Code of Conduct.
Annexes	Annex A: Proposed Code of Conduct for Elected Members Annex B: Existing Code of Conduct for Elected Members
Recommendation/s	That the Audit Committee recommends the Draft Gloucestershire wide Code of Members' Conduct (as annexed to this report) for onward approval by Full Council.
Corporate priorities	Ensure that all services delivered by the Council are delivered to the highest standard
Key Decision	No
Exempt	No
Consultees/ Consultation	Constitution Working Group

I. REPORT

I.1 The Elected Member Code of Conduct is a key element of the Council's corporate governance framework. The purpose of the Code is to ensure that Councillors understand their individual role in maintaining high standards of conduct, to ensure that such standards are maintained at all times, and to allow action to be taken when breaches of the Code occur. In order to do this, the Code of Conduct needs to set out clearly the behaviour and standards that are expected of members of the Council.

I.2 The group of Monitoring Officers for the seven principal Gloucestershire Councils have been working together to draft a Gloucestershire wide Member Code of Conduct taking into account the Local Government Association model, which Cotswold adopted in 2021, and their collective experiences of operating the present variety of Codes in the individual Councils.

I.3 The main benefits of having a common code of conduct are that:

- It will enable training resources to be shared across and between councils;
- For those who are members of more than one council, it will mean that a single set of standards apply;
- It will provide greater clarity and consistency for members of the public about what behaviour they should expect from their representatives;
- Where complaints are brought against a member at both county and district level (as sometimes is the case), the same considerations will apply, reducing duplication and allowing a single investigation of the complaint to be undertaken.

I.4 However, the Council could decide not to adopt the revised Code.

I.5 Whilst the group acknowledge that town and parish councils are under no obligation to adopt a unified Gloucestershire Code, it is hoped that will do so. Although, a degree of adaptation of the Code may be required by other Gloucestershire Districts and Town and Parish councils. For example, those sections of the code that refer to executive responsibilities will not be relevant to those councils who do not operate executive arrangements. However, other than that, it is intended that the provisions and standards set out in the code should apply equally to all town and parish Councils. It will, of course, be up to each Town and Parish to decide whether to adopt it.

I.6 The group have been supported in its development by Gloucestershire Association of Parish and Town Councils (GAPTC). GAPTC is extremely supportive of town and parish councils adopting the unified Code as they believe it will enable them to provide better advice, support and training. The Monitoring Officer will be discussing the revised Code and promoting its adoption with parish councils in the first quarter of 2023.

I.7 While the style and layout of the Code is different to the Local Government Association (LGA) model code, the content is fully consistent with it. This ensures that

the Authority can still benefit from guidance and training the LGA offers on Code of Conduct issues.

1.8 Following comments from this committee, the unified, or as amended Code, will be recommended to Full Council.

1.9 The arrangements for assessing allegations under the Code of Conduct, which were agreed at Council on 17 March 2021, remain unchanged currently but will be added to a subsequent Audit Committee agenda for review.

2. FINANCIAL IMPLICATIONS

2.1 There are no direct financial implications arising from the recommendations.

3. LEGAL IMPLICATIONS

3.1 The principal statutory provisions relating to standards of conduct for Members are contained in the Localism Act 2011. Section 27(1) of the 2011 Act provides that the Authority must promote and maintain high standards of conduct by Members and Co-opted members of the authority. Section 27 and 28 of the Localism Act require the Authority to adopt a Code of Conduct.

4. BACKGROUND PAPERS

Council's Constitution (available on the Cotswold.gov.uk website).

Minutes of the Constitution Working Group 01.12.2022.

Adoption of the LGA Model Code of Conduct – Full Council 20.01.2021

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Cotswold District Council

DRAFT CODE OF CONDUCT FOR ELECTED MEMBERS

Contents

- I Introduction
- II Scope of the Code of Conduct
- III General Principles of Members' Conduct
- IV Rules of Conduct
- V Registration of Interests
- VI Declaration of Interests and Restrictions on Participation
- VII Duties in respect of the Code of Conduct
- VIII Dispensations
- IX Gifts and Hospitality
- X Definitions

Appendix A – Disclosable Pecuniary Interests

Appendix B – Other Registrable Interests

I. Introduction

1. This Code of Conduct (Code) is adopted pursuant to the Authority's duty to promote and maintain high standards of conduct by Members of the Authority.

Members have a duty to uphold the law and to act on all occasions in accordance with the public trust placed in them.

II. Scope of the Code of Conduct

2. The Code applies to Members whenever acting in their official capacity as a Member of the Authority, including;
 - (a) when engaged in the business of the Authority including Ward business or representing the Authority externally;
 - (b) when behaving so as to give a reasonable person the impression of acting as a representative of the Authority.

This Code of Conduct does not seek to regulate what Members do in their purely private and personal lives.

3. The obligations set out in this Code are in addition to those which apply to all Members by virtue of the procedural and other rules of the Authority and any Protocols and Policies which may be adopted from time to time by the Authority.
4. Failure to comply with the requirements within this Code of Conduct which relate to disclosable pecuniary interests and which are set out in sections V and VI and Appendix A is a criminal offence.¹

¹ Section 34 Localism Act 2011

III. General Principles of Members' Conduct

5. In carrying out their duties in exercising the functions of their Authority or otherwise acting as a Councillor, Members will be expected to observe the general principles of conduct set out below. These principles will be taken into consideration when any allegation is received of a breach of the provisions of the Code.

- *Selflessness*
- *Integrity*
- *Objectivity*
- *Accountability*
- *Openness*
- *Honesty*
- *Leadership*

IV. Rules of Conduct

6. Members shall base their conduct on a consideration of the public interest, avoid conflict between personal interest and the public interest and resolve any conflict between the two, at once, and in favour of the public interest.
7. Members shall observe the following rules:-

General Requirements

- (1) **Do** treat everyone with respect.
- (2) **Do not** bully any person.
- (3) **Do not** harass any person
- (4) **Do** promote equalities and **do not** discriminate unlawfully against any person.

- (5) **Do not** use your position improperly to confer on or secure for yourself or any other person, an advantage or disadvantage, or seek to improperly influence a decision about any matter from which you are excluded from participating or voting as a result of the requirements of Part VI of this Code.
- (6) **Do not** do anything which compromises, or is likely to compromise, the impartiality of those who work for, or on behalf of, the Authority.
- (7) **Do not** disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, unless–
- (i) you have the consent of a person authorised to give it;
 - (ii) you are required by law to do so;
 - (iii) the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or
 - (iv) the disclosure is –
 - (a) reasonable and in the public interest; and
 - (b) made in good faith and in compliance with the reasonable requirements of the Authority.

Before making any disclosure under (iv) above, the written advice of the Monitoring Officer must be sought and considered.

- (8) **Do not** prevent another person from gaining access to information to which that person is entitled by law.
- (9) **Do** promote and support high standards of conduct when serving in your public post by leadership and example.
- (10) **Do** not behave in a manner which brings your role or the Authority into disrepute.
- (11) **Do not** use knowledge gained solely as a result of your role as a Member for the advancement of your own interests.

When using the resources of the Authority, or authorising the use of those resources by others:

- (12) **Do** act in accordance with the Authority's requirements including the requirements of the Authority's ICT Policy.
- (13) **Do** ensure that such resources are not used for political purposes (including party political purposes) unless that use could reasonably be regarded as likely to facilitate, or be conducive to, the discharge of the functions of the Authority or to the office to which you have been elected or appointed.
- (14) **Do** have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.

When making decisions on behalf of, or as part of, the Authority:

- (15) **Do** ensure that decisions are made on merit, particularly when making public appointments, awarding contracts, or recommending individuals for rewards or benefits.
- (16) **Do** have regard to advice provided to you by the Authority's Officers, particularly that provided by the Chief Financial Officer and Monitoring Officer where such advice is offered pursuant to their statutory duties.
- (17) **Do** be as open as possible about your own decisions and actions and those of the Authority and be prepared to give reasons for those decisions and actions.
- (18) **Do** ensure that you are accountable for your decisions and co-operate fully with whatever scrutiny is appropriate to your office.

V. Registration of Interests

8. Members shall observe the following rules when registering their interests.

- (1) **Do**, within 28 days of taking office as a Member (or Co-opted Member), notify the Monitoring Officer of any disclosable pecuniary interest as defined in Appendix A and any other registrable interest as defined in Appendix B.
- (2) **Do**, within 28 days of the date of a disclosure referred to in Paragraph 9(2) of this Code, notify the Monitoring Officer of the interest.
- (3) **Do** notify the Monitoring Officer of any new interest (disclosable pecuniary or other registrable interest) or change to any registered interest within 28 days of the date of that change.
- (4) **Do** approach the Monitoring Officer if you feel that your interest should be treated as sensitive because its disclosure could lead to you, or a person connected with you, being subject to violence or intimidation.

VI. Declaration of Interests and Restrictions on Participation

Members must observe the following rules:-

9. Disclosable Pecuniary Interests

Where a matter, in which you have an interest as specified in Appendix A (disclosable pecuniary interests), arises at a meeting at which you are present, or where you become aware that you have such an interest in any matter to be considered or being considered at the meeting:-

- (1) **Do** disclose the interest to the meeting. If the Monitoring Officer considers it a sensitive interest, you must declare that you have an interest but do not need to disclose the nature of the interest.
- (2) **Do** ensure that, if your interest is not entered in the Authority's Register, you disclose the interest to the meeting as required in 9(1) above and that you notify the Monitoring Officer of the interest within 28 days in accordance with Paragraph 8(2) of this Code.
- (3) **Do** withdraw from the meeting and **do not** vote on the matter, participate, or participate further, in any discussion of the matter at the meeting unless a dispensation has been granted.
- (4) **Do not**, as a member of the Authority's executive, exercise any executive functions in respect of any matter in which you have a disclosable pecuniary interest (Appendix A). You should notify the Monitoring Officer of the interest and take no steps or further steps in the matter.

10. Other Interests (Other Registrable Interests Appendix B and Non - registrable Interests)

Where a matter, in which

either you have an interest as specified in Appendix B (other registrable interests),

or where a decision on the matter might reasonably be regarded as affecting, to a greater extent than it would affect the majority of other Council taxpayers, ratepayers or inhabitants of the Ward affected by the decision, your well-being or financial position or the well-being or financial position of a member of your family, or any person with whom you have a close association, or who has a contractual relationship (including employment) with yourself, member of your family or close associate,

arises at a meeting at which you are present, or where you become aware that you have such an interest in any matter to be considered or being considered at the meeting:-

- (1) **Do** ensure that you disclose the interest to the meeting. If the Monitoring Officer considers it a sensitive interest, you must declare that you have an interest but do not need to disclose the nature of the interest.
- (2) **Do** leave the meeting and **do not** vote on the matter, participate, or participate further, in any discussion of the matter at the meeting (unless a dispensation has been granted or it is an excepted function), if,
 - (a) it affects the financial position of an interest specified in Appendix B (other registrable interests)
 - (b) it affects your financial position or well-being or that of a member of your family, or any person with whom you have a close association, or who has a contractual relationship (including employment) with yourself, member of your family or close associateor
 - (c) it relates to the determination of any approval, consent, licence, permission or registration in relation to you or any person or body described in (a) and (b) above

and a reasonable member of the public knowing the facts would reasonably regard it as so significant that it is likely to prejudice your judgement of the public interest.

The rules set out in Paragraph 10(2) above do not have the effect of precluding a Member from attending a meeting only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise. The Member must, after making their submission, withdraw immediately from the meeting.

- (3) **Do not**, as a member of the Authority's executive, exercise any executive functions in respect of any matter in which you have an interest as described in 10(2) above. You should notify the Monitoring Officer of the interest and take no steps or further steps in the matter.

VII. Duties in respect of the Code of Conduct

11. Members shall observe the following:-

- (1) **Do** undertake training on the Code of Conduct as required by the Authority.
- (2) **Do** co-operate, at all stages, with any investigation into your conduct which may be carried out in accordance with the arrangements for the investigation and determination of complaints which have been put in place by the Authority.
- (3) **Do not** seek to intimidate, or attempt to intimidate, any person who is, or is likely to be, a complainant, a witness or involved in the administration of any investigation or proceedings in relation to an allegation that a Member has failed to comply with his or her Council's Code of Conduct.

- (4) **Do** comply with any sanction imposed on you following a finding that you have failed to comply with the Code of Conduct.

VIII. Dispensations

12. Where a Member has a disclosable pecuniary interest as described in this Code, and set out in Appendix A, or has an interest which would preclude the Member's participation in the item of business as described in Paragraph 10 of this Code, the Member may apply to the Monitoring Officer for a dispensation.
13. A Member may be granted a dispensation to participate in a discussion and vote on a matter at a meeting even if the Member has a disclosable pecuniary interest as described in this Code, and set out in Appendix A, or has an other registrable interest (Appendix B) or non-registrable interest which would preclude the Member's participation in the item of business as described in Paragraph 10 of this Code.

IX. Gifts and Hospitality

14. When offered gifts or hospitality in your capacity as a Member of the Authority, the following rules must be observed.
 - (1) **Do not** accept gifts or hospitality, irrespective of estimated value, which could give rise to real or substantive personal gain or to a reasonable suspicion of influence to show favour, from persons seeking to acquire, develop or do business with the Authority or from persons who may apply to the Authority for any permission, licence or other significant advantage.
 - (2) **Do** register with the Monitoring Officer any gift or hospitality with an estimated value of at least £50 within 28 days of its receipt. (Appendix B).

- (3) **Do** register with the Monitoring Officer any significant gift or hospitality that they have been offered but have refused to accept.

X. Definitions

The following are definitions which apply for the purposes of this Code of Conduct.

1. Bullying is offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate, or injure the recipient.
2. "Close associate" means someone with whom you are in close regular contact over a period of time who is more than an acquaintance. It may be a friend, a colleague, a business associate or someone you know through general social contacts. It is someone a reasonable member of the public would think you might be prepared to favour/disadvantage ("close association" shall be construed accordingly).
3. Harassment is conduct, on at least two occasions, that causes alarm or distress or puts people in fear of violence
4. "Meeting" is a meeting of the Council, or any Committee, Sub-Committee, Joint Committee or Joint Sub-Committee of the Authority.
5. "Member" is an elected Member or a Co-opted Member of the Authority.
"Co-opted Member" is a person who is not a Member of the Authority but who is either a Member of any Committee or Sub-Committee of the Authority, or a Member of, and represents the Authority on, any Joint Committee or Joint Sub-Committee of the Authority, and who is entitled to vote on any question that falls to be decided at any meeting of that Committee or Sub-Committee.
6. "Member of your family" means:

- Partner (spouse/civil partner/someone you live with as if a spouse or civil partner);
 - A parent/parent-in-law, son/daughter, step-son/step-daughter, child of partner; and the partners of any of these persons;
 - A brother/sister, grandparent/grandchild, uncle/aunt, nephew/niece; and the partners of any of these persons.
7. "Monitoring Officer" is the Monitoring Officer to the Authority.
8. "Pending notification" is an interest which has been notified to the Monitoring Officer but which has not been entered in the Authority's Register in consequence of that notification.
9. Respect means politeness and courtesy in behaviour, speech, and in the written word.
10. "The Act" is the Localism Act 2011.
11. "The Authority" is Cotswold District Council.
12. Unlawful discrimination is where someone is treated unfairly because of a protected characteristic. Protected characteristics are specific aspects of a person's identity defined by the Equality Act 2010. They are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
13. "Well-being" means general sense of contentment and quality of life.
14. Excepted functions are functions of the Authority in respect of

- (i) housing, where the Member is a tenant of the Authority provided that those functions do not relate particularly to the Member's tenancy or lease;
- (ii) an allowance, payment or indemnity given to Members;
- (iii) any ceremonial honour given to Members; and
- (iv) setting Council tax or a precept under the Local Government Finance Act 1992.

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Disclosable Pecuniary Interests

The interests set out below are "Disclosable Pecuniary Interests" in accordance with the Localism Act 2011 and Members must notify the Monitoring Officer in accordance with Paragraphs 8(1)-(3) of this Code of Conduct of any interest which is an interest of **the Member (M) or of any of the following**:

- the Member's spouse or civil partner;
- a person with whom the Member is living as husband and wife; or
- a person with whom the Member is living as if they were civil partners;

and the Member is aware that that other person has the interest.

Subject	Disclosable Pecuniary Interest
Employment, Office, Trade, Profession or Vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member, or towards the election expenses of M. This includes any payment or financial benefit from a Trade Union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992(a).
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority – (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of the relevant authority.

Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate Tenancies	Any tenancy where (to M's knowledge) – (a) the landlord is the relevant authority; and (b) the tenant is a body in which the relevant person has a beneficial interest.
Securities	Any beneficial interest in securities of a body where – (a) that body (to M's knowledge) has a place of business or land in the area of the relevant authority; and (b) either – (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.
<p>(a) "the Act" means the Localism Act 2011;</p> <p>(b) "body in which the relevant person has a beneficial interest" means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest;</p> <p>(c) "director" includes a member of the committee of management of an industrial and provident society;</p> <p>(d) "land" excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income;</p> <p>(e) "M" means a member of a relevant authority;</p> <p>(f) "member" includes a co-opted member;</p> <p>(g) "relevant authority" means the authority of which M is a member;</p>	

- (h) "relevant period" means the period of 12 months ending with the day on which M gives a notification for the purposes of section 30(1) or section 31(7), as the case may be, of the Act;
- (i) "relevant person" means M or any other person referred to in section 30(3)(b) of the Act;
- (j) "securities" means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000(b) and other securities of any description, other than money deposited with a building society.

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Other Registrable Interests

The interests set out below are “other registrable interests” which must be notified to the Monitoring Officer in accordance with Paragraphs 8(1), 8(2) and 8(4) of this Code of Conduct.

A Member must notify the Monitoring Officer of any interest held by **the Member** in any of the categories set out below:-

Subject	Other Interest
Management or Control	Any body of which the Member is in a position of general control or management (including where you have been appointed or nominated by the Authority.)
Public/Charitable and Other External Bodies	Any body – (a) exercising functions of a public nature; (b) directed to charitable purposes; or (c) one of whose principal purposes includes the influence of public opinion or policy (including any political party or Trade Union). of which the Member of the Authority is a member or in a position of general control or management.
Employer	Any person or body who employs, or has appointed, the Member.
Gifts and Hospitality	The name of any person, organisation, company or other body from whom the Member has received, by virtue of his Office, gifts or hospitality worth an estimated value of £50 or more.

Cotswold District Council Councillor Code of Conduct

Introduction

Cotswold District Council (the Council) has adopted the Local Government Association (LGA) Model Councillor Code of Conduct and will undertake an annual review of this Code to ensure it continues to be fit- for- purpose, incorporating advances in technology, social media and changes in legislation.

Definitions

For the purposes of this Code of Conduct, a “councillor” means a member or co-opted member of a local authority or a directly elected mayor. A “co-opted member” is defined in the Localism Act 2011 Section 27(4) as “a person who is not a member of the authority but who

- a) is a member of any committee or sub-committee of the authority, or;
- b) is a member of, and represents the authority on, any joint committee or joint sub-committee of the authority;

and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee”.

Purpose of the Code of Conduct

The purpose of this Code of Conduct is to assist you, as a councillor, in modelling the behaviour that is expected of you, to provide a personal check and balance, and to set out the type of conduct that could lead to action being taken against you.

It is also to protect you, the public, fellow councillors, local authority officers and the reputation of local government. It sets out general principles of conduct expected of all councillors and your specific obligations in relation to standards of conduct. The Council encourages the use of support, training and mediation prior to action being taken using the Code. The fundamental aim of the Code is to create and maintain public confidence in the role of councillor and local government.

General principles of councillor conduct

Everyone in public office at all levels; all who serve the public or deliver public services, including ministers, civil servants, councillors and local authority officers; should uphold the [Seven Principles of Public Life](#), also known as the Nolan Principles.

Building on these principles, the following general principles have been developed specifically for the role of councillor.

In accordance with the public trust placed in me, on all occasions:

- I act with integrity and honesty
- I act lawfully
- I treat all persons fairly and with respect; and
- I lead by example and act in a way that secures public confidence in the role of councillor.

In undertaking my role:

- I impartially exercise my responsibilities in the interests of the local community
- I do not improperly seek to confer an advantage, or disadvantage, on any person
- I avoid conflicts of interest
- I exercise reasonable care and diligence; and
- I ensure that public resources are used prudently in accordance with my local authority's requirements and in the public interest.

Application of the Code of Conduct

This Code of Conduct applies to you as soon as you sign your declaration of acceptance of the office of councillor or attend your first meeting as a co-opted member and continues to apply to you until you cease to be a councillor.

This Code of Conduct applies to you when you are acting in your capacity as a councillor which may include when:

- you misuse your position as a councillor
- Your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a councillor.

The Code applies to all forms of communication and interaction, including at face-to-face meetings

- at online or telephone meetings
- in written communication
- in verbal communication
- in non-verbal communication
- in electronic and social media communication, posts, statements and comments.

You are also expected to uphold high standards of conduct and show leadership at all times when acting as a councillor.

The Monitoring Officer has statutory responsibility for the implementation of the Code of Conduct, and you are encouraged to seek advice from him /her on any matters that may relate to the Code of Conduct. Town and parish councillors are encouraged to seek advice from their Clerk, who may refer matters to the Monitoring Officer.

Standards of councillor conduct

This section sets out your obligations, which are the minimum standards of conduct required of you as a councillor. Should your conduct fall short of these standards, a complaint may be made against you, which may result in action being taken.

Guidance is included to help explain the reasons for the obligations and how they should be followed.

General Conduct

1. Respect

As a councillor:

1.1 I treat other councillors and members of the public with respect.

1.2 I treat local authority employees, employees and representatives of partner organisations and those volunteering for the local authority with respect and respect the role they play.

Respect means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor, you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a robust but civil manner. You should not, however, subject individuals, groups of people or organisations to personal attack.

In your contact with the public, you should treat them politely and courteously. Rude and offensive behaviour lowers the public's expectations and confidence in councillors.

In return, you have a right to expect respectful behaviour from the public. If members of the public are being abusive, intimidatory or threatening you are entitled to stop any conversation or interaction in person or online and report them to the local authority, the relevant social media provider or the police. This also applies to fellow councillors, where action could then be taken under the Councillor Code of Conduct, and local authority employees, where concerns should be raised in line with the local authority's councillor- officer protocol.

2. Bullying, harassment and discrimination

As a councillor:

2.1 I do not bully any person.

2.2 I do not harass any person.

2.3 I promote equalities and do not discriminate unlawfully against any person.

The Advisory, Conciliation and Arbitration Service (ACAS) characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and may not always be obvious or noticed by others.

The Protection from Harassment Act 1997 defines harassment as conduct that causes alarm or distress or puts people in fear of violence and must involve such conduct on at least two occasions. It can include repeated attempts to impose unwanted communications and contact upon a person in a manner that could be expected to cause distress or fear in any reasonable person.

Unlawful discrimination is where someone is treated unfairly because of a protected characteristic. Protected characteristics are specific aspects of a person's identity defined by the Equality Act 2010. They are

- age
- disability
- gender reassignment
- marriage and civil partnership
- pregnancy and maternity
- race
- religion or belief
- sex and sexual orientation

The Equality Act 2010 places specific duties on local authorities. Councillors have a central role to play in ensuring that equality issues are integral to the local authority's performance and strategic aims, and that there is a strong vision and public commitment to equality across public services.

3. Impartiality of officers of the council

As a councillor:

3.1 I do not compromise, or attempt to compromise, the impartiality of anyone who works for, or on behalf of, the local authority.

Officers work for the local authority as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. You can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written. However, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

4. Confidentiality and access to information

As a councillor:

4.1 I do not disclose information:

- a. given to me in confidence by anyone**
- b. acquired by me which I believe, or ought reasonably to be aware, is of a confidential nature, unless**
 - i. I have received the consent of a person authorised to give it;**
 - ii. I am required by law to do so;**
 - iii. the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or**
 - iv. the disclosure is:**
 - 1. reasonable and in the public interest; and**
 - 2. made in good faith and in compliance with the reasonable requirements of the local authority; and**
 - 3. I have consulted the Monitoring Officer prior to its release.**

4.2 I do not improperly use knowledge gained solely as a result of my role as a councillor for the advancement of myself, my friends, my family members, my employer or my business interests.

4.3 I do not prevent anyone from getting information that they are entitled to by law.

Local authorities must work openly and transparently, and their proceedings and printed materials are open to the public, except in certain legally defined circumstances. You should work on this basis, but there will be times when it is required by law that discussions, documents and other information relating to or held by the local authority must be treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

5. Disrepute

As a councillor:

5.1 I do not bring my role or local authority into disrepute.

As a Councillor, you are trusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on you, other councillors and/or your local authority and may lower the public's confidence in you or your local authority's ability to discharge your/its functions. For example, behaviour that is considered dishonest and/or deceitful can bring your local authority into disrepute.

You are able to hold the local authority and fellow councillors to account and are able to constructively challenge and express concern about decisions and processes undertaken by the council whilst continuing to adhere to other aspects of this Code of Conduct.

6. Use of position

As a councillor:

6.1 I do not use, or attempt to use, my position improperly to the advantage or disadvantage of myself or anyone else.

Your position as a member of the local authority provides you with certain opportunities, responsibilities and privileges, and you make choices all the time that will impact others. However, you should not take advantage of these opportunities to further your own or others' private interests or to disadvantage anyone unfairly.

7. Use of local authority resources and facilities

As a councillor:

7.1 I do not misuse council resources.

7.2 I will, when using the resources of the local or authorising their use by others:

- a. act in accordance with the local authority's requirements; and**
- b. ensure that such resources are not used for political purposes unless that use could reasonably be regarded as likely to facilitate, or be conducive to, the discharge of the functions of the local authority or of the office to which I have been elected or appointed.**

You may be provided with resources and facilities by the local authority to assist you in carrying out your duties as a councillor.

Examples include:

- office support
- stationery
- equipment such as phones, and computers
- transport
- access and use of local authority buildings and rooms.

These are given to you to help you carry out your role as a councillor more effectively and are not to be used for business or personal gain. They should be used in accordance with the purpose for which they have been provided and the local authority's own policies regarding their use.

8. Complying with the Code of Conduct

As a Councillor:

8.1 I undertake Code of Conduct training provided by my local authority.

8.2 I cooperate with any Code of Conduct investigation and/or determination.

8.3 I do not intimidate or attempt to intimidate any person who is likely to be involved with the administration of any investigation or proceedings.

8.4 I comply with any sanction imposed on me following a finding that I have breached the Code of Conduct.

It is extremely important for you as a councillor to demonstrate high standards, for you to have your actions open to scrutiny and for you not to undermine public trust in the local authority or its governance. If you do not understand or are concerned about the local authority's processes in handling a complaint you should raise this with your Monitoring Officer.

9. Interests

As a councillor:

9.1 I register and disclose my interests.

Section 29 of the Localism Act 2011 requires the Monitoring Officer to establish and maintain a register of interests of members of the authority.

You need to register your interests so that the public, local authority employees and fellow councillors know which of your interests might give rise to a conflict of interest. The register is a public document that can be consulted when (or before) an issue arises. The register also protects you by allowing you to demonstrate openness and a willingness to be held accountable. You are personally responsible for deciding whether or not you should disclose an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise. It is also important that the public know about any interest that might have to be disclosed by you or other councillors when making or taking part in decisions, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained.

You should note that failure to register or disclose a disclosable pecuniary interest as set out in Table 1, is a criminal offence under the Localism Act 2011.

Appendix B sets out the detailed provisions on registering and disclosing interests. If in doubt, you should always seek advice from the Monitoring Officer.

10. Gifts and hospitality

As a councillor:

- 10.1 I do not accept gifts or hospitality, irrespective of estimated value, which could give rise to real or substantive personal gain or a reasonable suspicion of influence on my part to show favour from persons seeking to acquire, develop or do business with the local authority or from persons who may apply to the local authority for any permission, licence or other significant advantage.**
- 10.2 I register with the Monitoring Officer any gift or hospitality with an estimated value of at least £50 within 28 days of its receipt.**
- 10.3 I register with the Monitoring Officer any significant gift or hospitality that I have been offered but have refused to accept.**

In order to protect your position and the reputation of the local authority, you should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a councillor. The presumption should always be not to accept significant gifts or hospitality. However, there may be times when such a refusal may be difficult if it is seen as rudeness in which case you could accept it but must ensure it is publicly registered. However, you do not need to register gifts and hospitality which are not related to your role as a councillor, such as Christmas gifts from your friends and family. It is also important to note that it is appropriate to accept normal expenses and hospitality associated with your duties as a councillor. If you are unsure, do contact your Monitoring Officer for guidance.

Appendices

Appendix A – The Seven Principles of Public Life

The principles are:

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must disclose and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Appendix B Registering interests

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests which fall within the categories set out in **Table 1 (Disclosable Pecuniary Interests)** which are as described in “The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012”. You should also register details of your other personal interests which fall within the categories set out in **Table 2 (Other Registerable Interests)**.

“Disclosable pecuniary interest” means an interest of yourself, or of your partner if you are aware of your partner's interest, within the descriptions set out in Table 1 below.

"Partner" means a spouse or civil partner, or a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.

1. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest, or of any change to a registered interest, notify the Monitoring Officer.
2. A ‘sensitive interest’ is as an interest which, if disclosed, could lead to the councillor, or a person connected with the councillor, being subject to violence or intimidation.
3. Where you have a ‘sensitive interest’ you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register.

Non participation in case of disclosable pecuniary interest

4. Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a ‘sensitive interest’, you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.
5. Where you have a disclosable pecuniary interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it

Disclosure of Other Registerable Interests

6. Where a matter arises at a meeting which **directly relates** to one of your Other Registerable Interests (as set out in Table 2), you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it

is a 'sensitive interest', you do not have to disclose the nature of the interest.

Disclosure of Non- Registerable Interests

7. Where a matter arises at a meeting which **directly relates** to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in Table 1) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

8. Where a matter arises at a meeting which **affects** –
 - a. your own financial interest or well-being;
 - b. a financial interest or well-being of a friend, relative, close associate; or
 - c. a body included in those you need to disclose under Disclosable Pecuniary Interests as set out in **Table 1**

you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied

9. Where a matter **affects** your financial interest or well-being:
 - a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
 - b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

10. Where you have a personal interest in any business of your authority and you have made an executive decision in relation to that business, you must make sure that any written statement of that decision records the existence and nature of your interest.

Table 1: Disclosable Pecuniary Interests

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the [Relevant Authorities \(Disclosable Pecuniary Interests\) Regulations 2012](#).

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain. [Any unpaid directorship.]
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the

	<p>councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council —</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
Land and Property	<p>Any beneficial interest in land which is within the area of the council.</p> <p>'Land' excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners (alone or jointly with another) a right to occupy or to receive income.</p>
Licenses	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer
Corporate tenancies	<p>Any tenancy where (to the councillor's knowledge)—</p> <p>(a) the landlord is the council; and</p> <p>(b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.</p>
Securities	<p>Any beneficial interest in securities* of a body where—</p> <p>(a) that body (to the councillor's knowledge) has a place of business or land in the area of the council; and</p> <p>(b) either—</p> <p>(i)) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/ her spouse or civil partner or the person with whom the councillor is living as if they were</p>

	spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.
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* 'director' includes a member of the committee of management of an industrial and provident society.

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

Table 2: Other Registerable Interests

You have a personal interest in any business of your authority where it relates to or is likely to affect:

- a) any body of which you are in general control or management and to which you are nominated or appointed by your authority
- b) any body
 - (i) exercising functions of a public nature
 - (ii) any body directed to charitable purposes or
 - (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)

Agenda Item 10



COTSWOLD
DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 26 JANUARY 2023
Subject	PEER REVIEW – GOVERNANCE RECOMMENDATIONS & ACTION PLAN
Wards affected	All
Accountable member	Cllr Joe Harris, Leader of the Council Email: joe.harris@cotswold.gov.uk
Accountable officer	Angela Claridge, Director of Governance & Development Email: angela.claridge@cotswold.gov.uk
Report author	As above
Summary/Purpose	To consider the Local Government Association's Feedback Report, and, to review the Action Plan that details how the recommendations relating to the responsibilities of this Committee will be implemented.
Annexes	Annex B – Action Plan
Recommendation(s)	<i>That Audit Committee:</i> <i>Note the Committee's activity over the last year and identify any gaps in the governance framework.</i>
Corporate priorities	<ul style="list-style-type: none"> Delivering our services to the highest standards
Key Decision	NO
Exempt	NO
Consultees/ Consultation	Members of the Cabinet Local Management Team - CEO, Deputy CEO & Chief Finance Officer, Interim Head of Legal Services; Managing Director & Group Finance Director (Publica)

I. BACKGROUND



- 1.1 Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities. It is founded on the fundamental principles of openness, integrity and accountability together with the overarching concept of leadership.
- 1.2 The function of governance is to ensure that Cotswold District Council fulfils its purpose and achieves the intended outcomes for citizens and service users and operates in an effective, efficient, economic and ethical manner.
- 1.3 In this respect, the Council recognises the need for sound corporate governance arrangements and has put in place policies, systems, procedures and structures that together determine and control the way in which the Council manages its business, formulates its strategies and objectives and sets about delivering its services to meet those objectives.
- 1.4 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.
- 1.5 The Council invited the Local Government Association (LGA) to conduct a corporate peer challenge in October 2022. The review was undertaken by an experienced team including both councillor and officer representatives. The team acts as a “critical friend” providing feedback and commentary on areas of strength and areas for future consideration.

2. MAIN POINTS

- 2.1 The Corporate Peer Challenge 2023 – Feedback Report, made a number of recommendations including one that relates to the responsibilities of this committee, namely *“The council needs to reassure itself that its governance arrangements are robust”*.
- 2.2 Full Council at its meeting on 18 January considered the Peer Challenge report in its entirety and accompanying action plan.
- 2.3 This report is seeking to address the proposal that Audit Committee are provided with confirmation of the current governance and control framework for their review, identification of any gaps or weaknesses, and comments.
- 2.4 Over the last year, this Committee has owned an ambitious agenda including financial reporting, resilience and Chief Finance Officer’s assurance; the Annual Governance Statement; internal control; risk management strategy including the identification and mitigation of risks; audit activity and reviewed a number of policies (Procurement & Contract Management, Whistleblowing and the Counter Fraud & Anti-Corruption Policies). In addition, the Committee has considered annual reports relating to the Local Government Ombudsman and standards framework relating to the conduct of elected members.
- 2.5 Members will also note that there are further proposals relating to the recommendation of *“The council needs to reassure itself that its governance arrangements are robust”*, which will be subject to subsequent reports to this Committee or other forums:



- Introduce two independent members to the Audit Committee
- Implement a programme of regular training for Audit Committee members
- Revisit terms of reference and consider Renaming Audit Committee to Audit & Governance Committee to reflect the breadth of its responsibilities and ensure governance is a focal part of the committee's function.
- Deliver Democratic Services Action Plan - ensuring the smooth and efficient management of decision making processes.
- Ensure Constitution continues to reflect robust governance processes and arrangements via timely updates.

3. FINANCIAL IMPLICATIONS

- 3.1** There are no direct financial implications arising from the recommendations.

4. LEGAL IMPLICATIONS

- 4.1** This Committee, through its responsibilities as set out in the Constitution, recognises the requirement to observe specific requirements of legislation and the general responsibilities placed on the Council by public law, but also accepting responsibility to use its legal powers to the full benefit of the citizens and communities in its area.

5. RISK ASSESSMENT

- 5.1** The Council recognises the need to have in place and maintain a systematic strategy, framework and process for managing and auditing risk which are set out in paragraph 2.4 of this report.

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:

- Corporate Peer Challenge 2023 – Feedback Report & Action Plan (Full Council 16.01.2023).

These documents will be available for inspection online at www.cotswold.gov.uk or by contacting democratic services democratic@cotswold.gov.uk for a period of up to 4 years from the date of the meeting.

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PEER REVIEW RECOMMENDATIONS	ACTIONS TO BE TAKEN TO IMPLEMENT RECOMMENDATION	TIMESCALES FOR COMMENCEMENT	LEAD OFFICER
Governance - the Council needs to reassure itself that its governance arrangements are robust.	<ul style="list-style-type: none"> ● <i>Prepare and present a report to Audit Committee</i> (scheduled for 26.01.2023) confirming the governance arrangements that already in place (likely to include: Annual Governance Statement, Local Code of Corporate Governance, Risk Management Strategy, audit reports, decision making, system of internal control, LGO reports; financial resilience/CFO assurance, Audit Committee's effectiveness), and identifying any gaps/actions required to bolster governance arrangements where needed. 	January 2023	Angela Claridge
	<ul style="list-style-type: none"> ● <i>Introduce two independent members</i> to the Audit Committee in accordance with 'CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022' good practice guidance. Commence with recruitment campaign. 	May 2023	David Stanley Angela Claridge
	<ul style="list-style-type: none"> ● <i>Implement a programme of regular training for Audit Committee members</i> to include legislative/regulatory requirements; role and expectations, features of governance (audit, risk and compliance). 	May/June 2023 as part of new members induction programme	Angela Claridge Andrew Brown
	<ul style="list-style-type: none"> ● Revisit terms of reference and consider Renaming Audit Committee to <i>Audit & Governance Committee</i> to reflect the breadth of its responsibilities and ensure governance is a focal part of the committee's function. 	May 2023	Constitution Working Group (CWG), supported by Angela

	<ul style="list-style-type: none"> ● <i>Deliver Democratic Services Action Plan</i> - ensuring the smooth and efficient management of decision making processes. ● <i>Ensure Constitution continues to reflect robust governance processes and arrangements via timely updates.</i> 	<p>July 2022</p> <p>March 2023</p>	<p>Claridge/Andrew Brown</p> <p>Constitution Working Group (CWG), supported by Angela Claridge/Andrew Brown</p>
Refine and adapt the leadership approach in engaging local authority partners in order to ensure shared objectives are achieved.	<ul style="list-style-type: none"> ● Work with Cabinet via Away Day session, or dedicated Informal Cabinet session to <i>identify the best ways to develop strong relationships with key partners, namely GCC</i>, in order to ensure CDC's interests are best served. 	January 2023	Rob Weaver
Determine what Overview and scrutiny is there to do and provide the appropriate support to it.	<ul style="list-style-type: none"> ● Hold workshop session with Chair and Vice Chair of O&S Committee to <i>review findings of the Corporate Peer Review, to identify opportunities for enhancement.</i> ● <i>Ensure Executive/Scrutiny Protocol agreed at Full Council (16.11.2022) is embedded in terms of future ways of working.</i> ● <i>Prepare and present to O&S Committee Peer Review outcomes and considerations</i> report to discuss peer review outcomes & consider options. ● <i>Provide Centre for Governance & Scrutiny 'Scrutiny Essentials'</i> training course for O&S Committee members. 	<p>January 2023</p> <p>January 2023</p> <p>February 2023</p> <p>May 2023 as part of new councillor induction programme</p>	<p>Angela Claridge Claire Locke Rob Weaver</p> <p>Angela Claridge Andrew Brown</p> <p>Angela Claridge</p> <p>Angela Claridge Andrew Brown</p>

	<ul style="list-style-type: none"> ● Maximise links with the SW Overview & Scrutiny Network (a forum for representatives to share key priorities, good practice and ideas on improving the scrutiny process). ● Utilise member briefings rather than O&S Committee as a mechanism to update members on service and operational developments and responding to requests for follow-up information from Council meetings. ● Maximise input of recently allocated Publica Assistant Director in terms of assisting Overview & Scrutiny in terms of work plan development, roles and responsibilities and embedding change. 	February 2023	Andrew Brown
		January 2023	Angela Claridge
		January 2023	Claire Locke
Establish a training and development programme for elected members	<ul style="list-style-type: none"> ● Maximise use of the existing councillor's portal as a means of advertising and actively promoting both in house and externally provided training. ● Undertake review of councillor's training needs in advance of May 2023 Elections, to ensure roll out of new councillor training programme is exemplary. ● Create member training and development steering group – key purpose - to receive regular updates on member training and development and contribute to discussions regarding the training development programme. ● Ensure a 'new Councillor induction pack' is prepared and presented to each new Councillor on 4th May 2023, and subsequently at any By-Election, including welcome letter from CEO, background to CDC, contact details for key officers, a schedule of training and development 'dates for diaries' and named Democratic service 'buddies' that will act as a single 	January 2023	Angela Claridge Andrew Brown
		March 2023	Angela Claridge
		February 2023	Angela Claridge
		April 2023	Angela Claridge Andrew Brown

	<p>point of contact for any queries in the first few weeks of a new Councillors taking office.</p> <ul style="list-style-type: none"> ● Work towards achieving LGA's Member Development Charter - the charter signifies a commitment to introduce a policy that supports and encourages member development. 	July 2023	Angela Claridge Andrew Brown
Continue to ensure Cabinet members are cognisant of the financial challenges and demonstrate the required leadership and collective responsibility for addressing it	<ul style="list-style-type: none"> ● Develop a programme of financial briefing sessions for Informal Cabinet, looking at local and national picture and implications for CDC MTFS. ● Develop and deliver a wider all member finance briefing session programme on aspects of Local Government Finance to include specific areas such as Treasury Management and the implications of the Local Government Finance Settlement. ● Initiate the Cabinet Transform Working Group, (proposal agreed at Cabinet in December 2022) tasked primarily with receiving regular updates on progress against the Publica and Ubico savings and efficiencies targets as part of an ongoing strategy to mitigate the forecast adverse financial position. Ensure where possible synergy with Shareholder Engagement forums. 	<p>January 2023</p> <p>January 2023</p> <p>January 2023</p>	<p>David Stanley</p> <p>David Stanley</p> <p>Rob Weaver David Stanley</p>
Take stock of the Recovery Investment Strategy and what it can deliver	<ul style="list-style-type: none"> ● Review the Capital Programme Planning process in light of the Council decision to rescind the RIS(16/11/2022) to ensure it is fit for purpose. 	January 2023	David Stanley

(NB- this recommendation pre-dates the rescinding of the RIS – the actions therefore reflect what is now needed in light of this)	<ul style="list-style-type: none"> ● Review the Terms of Reference of the Capital Investment Board, the purpose of this board and its continuation, in light of the rescinded Recovery Investment Strategy. ● Develop the 2023/24 Capital Strategy and 2023/24 Treasury Management Strategy with reference to the Council's Priorities and the relevant CIPFA Guidance. ● Create a Capital Financing Strategy setting out the good practice and guidelines that will be adopted when considering investment opportunities requiring borrowing, or include this as part of the treasury management programme. 	February 2023 January 2023 February 2023	David Stanley David Stanley David Stanley
Ensure all necessary due diligence is undertaken in relation to the budget proposals and that the proposals are realisable	<ul style="list-style-type: none"> ● Develop 2023/24 financial budget scenarios with sensitivity analysis (stress testing) of budget proposals to ensure a credible budget can be put forward in February 2023. 	January 2023	David Stanley
<p>Address the concerns of some staff about the way they are treated by some senior leaders within the council and the Publica organisation,</p> <p>&</p> <p>Develop a focus on organisational culture and behaviours and staff well-being</p>	<ul style="list-style-type: none"> ● Clarify process of councillor engagement with staff (routes, prioritisation, expectation management, timescales etc.) with particular reference to email communications. ● Align with the 'Great Place to Work/Investors in People (IiP) & Leadership' project. Specifically to support the IiP indicators 'Living the Organisation Values & Behaviours' and 'Empowering & Involving People' ● Revisit Publica focus on organisational culture, values and behaviours and engage and work with the Staff Forum Group 	January 2023 March 2023	<p>Rob Weaver Jan Britton</p> <p>Angela Claridge Zoe Campbell</p> <p>Angela Claridge Zoe Campbell</p>

	<ul style="list-style-type: none"> ● Update Member/Officer Protocol (part of the Constitution) and share with Members - agree protocols and approaches for engagement between Members and Officers. ● Revisit and refresh the Staff Recognition and Reward scheme to highlight examples of great service, providing a mechanisms for both senior officers and Councillors to make nominations. 		<p>Angela Claridge</p> <p>Angela Claridge Zoe Campbell</p>
Appropriateness of some services remaining within Publica	<ul style="list-style-type: none"> ● Give consideration to reviewing service delivery options, and undertaking an analysis of the advantages and disadvantages of bringing some service areas back into the Council, (which could include Democratic Services, Elections, Planning, Procurement & Commissioning lead). 	February 2023	Rob Weaver Jan Britton
Where direction is set, clarity of roles, accountability	<ul style="list-style-type: none"> ● Revisit key roles and responsibilities and if necessary seek to re-set relationship between CDC and Publica, via Away Day session between CDC snr management and Publica MD and Exec Director. ● Subsequently ensure input and views of leader, Deputy Leader and Cabinet are included as part of the 're-set' process. ● Revisit and communicate how shared responsibilities across Councillor/retained officers/Publica senior officer cohorts operate, to provide clarity to staff and stakeholders where necessary. ● In the interests of providing the best customer service, review the appraisal process for Publica MD and Exec. Directors, which could include greater engagement and input from Council CEO and Leader to provide better mechanisms for 	<p>February 2023</p> <p>April 2023</p>	<p>Rob Weaver Jan Britton</p> <p>Rob Weaver Jan Britton</p>

	<p>monitoring and communicating expectations, performance and accountability, In the interest of the partnership and customer service.</p> <ul style="list-style-type: none"> Clarify and confirm accountability process for GM's and Exec Director in a similar way and for similar reasons. 	April 2023	Rob Weaver Jan Britton
How increased strategic capacity is provided to support the council	<ul style="list-style-type: none"> Re-visit and clarify the extent to which Publica is in a position to provide strategic capacity and input, versus day to day BAU, for example in relation procurement and commissioning. Consider where there are currently 'gaps' within strategic support and how these could best be filled. Determine the best ways to fill any identified gaps in process. 	March 2023	Rob Weaver Jan Britton
Translating the political objectives into manageable deliverables	<ul style="list-style-type: none"> Consider the best ways to ensure that the Administration are providing clear political objectives and importantly that these are understood by all. Ensure the clear political objectives of the Administration are translated into manageable deliverables, particularly around agreement of timescales and deadlines for key projects. This action point will build on the successful Cabinet away days, where the Councils corporate Plan is used as the basis for identifying and agreeing projects and timescales. 	January 2023	Rob Weaver Angela Claridge Rob Weaver Angela Claridge

Sense of identity – providing mechanisms to support staff identify with both Publica and the Council	<ul style="list-style-type: none"> • CEO and Leader to initiate staff Q&A to share updates on key CDC projects, ambitions and direction. • Review ‘organisational effectiveness’ to seek to address staff struggling to identify with one or both organisations. 	February 2023	Rob Weaver Zoe Campbell Jan Britton
Performance and value for money	<ul style="list-style-type: none"> • <i>Initiate VFM review to enable further benchmarking and analysis to take place</i> • <i>Re-set and revisit Publica Contract/SLA and key roles and responsibilities</i> • <i>Utilise ‘nearest neighbour’ analysis tools including LG Inform to provide a broader basis upon which to judge and manage performance and service delivery</i>, via use of LG Inform or similar data set tools. • <i>Feed KPI review into O&S work plan</i> for performance setting metrics • <i>Seek to become top quartile in terms of service delivery</i> with particular regard to planning, non-domestic rates collection, vacant dwellings, council tax collected. • <i>Refresh target setting process, outcomes and processes</i> to ensure that recognition of performance is broader than just Publica partner councils. • <i>Ensure that Publica does not lose sight of the basics of service delivery</i> in relation to the Publica Business Plan. 	March 2023	Rob Weaver David Stanley Frank Wilson
Enhanced sense of identity (CDC retained staff base – CFU Legal services	<ul style="list-style-type: none"> • <i>Hold post Peer Review meeting</i> with managers of these service areas via routine one to one process. This will enable a better understanding in relation to the sense of identity comments raised. 		Rob Weaver David Stanley Angela Claridge



Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 26 JANUARY 2022
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	David Stanley, Chief Finance Officer Email: david.stanley@cotswold.gov.uk
Report author	Lucy Cater, Head of Internal Audit Email: lucy.cater@swapaudit.co.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 2022/23 Annex B – Agreed Actions
Recommendation(s)	<i>1. That the Committee considers the reports at Annexes A and B and comments as necessary</i>
Corporate priorities	Delivering our services to the highest standards
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.

- 2.2** We have finalised 2 audits since the last meeting of this committee

- Business Grants Post Payment Assurance (Omicron Schemes) – High Substantial
- Accounts Payable – Quarterly Review – High Substantial

We continue to follow up all agreed actions. A report (Annex B) showing all open agreed actions and those that have been actioned during 2022/23 has been included for Members information.

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. EQUALITIES IMPACT

- 6.1** Under equality legislation, the Council has a legal duty to pay 'due regard' to the need to eliminate discrimination and promote equality in relation to:

- Race
- Disability
- Gender, including gender reassignment
- Age
- Sexual Orientation
- Pregnancy and maternity
- Religion or belief

The Council also has a duty to foster good relations, and to consider the impact of its decisions on human rights. The law requires that this duty to pay 'due regard' is demonstrated in the decision making process. Therefore your report should contain a statement as to whether the recommendation has a particular impact on any of the above groups

Any reports which relate to new policies, procedures or services or changes to policies, procedures or services must be accompanied by an appropriate equalities impact assessment (EIA). You can access further guidance and the EIA template [via the portal](#) and the Council's Equality Policy [on the website](#).

7. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

- 7.1** Include details of any climate change implications

8. ALTERNATIVE OPTIONS

- 8.1** This section must be completed and include details of why identified alternative options are not preferred.

11. BACKGROUND PAPERS

- 11.1** 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:



COTSWOLD
DISTRICT COUNCIL

- Internal Audit Progress Reports

These documents will be available for inspection online at www.cotswold.gov.uk or by contacting democratic services democratic@cotswold.gov.uk for a period of up to 4 years from the date of the meeting.

(END)

Cotswold District Council

Report of Internal Audit Activity

January 2023

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Contents

The contacts at SWAP in connection with this report are:

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Principal Auditor

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- Contents:

Internal Audit Definitions

Audit Plan Progress

Finalised Audit Assignments

Internal Audit Definitions

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

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

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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.

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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

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Operational	Procurement Cards	Final Report	Low Limited	6	2	4	-	Reported in September
ICT	Vulnerability Management	Final Report	High Reasonable	1	-	1	-	Reported in September
Operational	Business Grant Funding – Post Payment Assurance	Final Report	High Substantial	0	-	-	-	Reported in September
Operational	Election Expenses – Treatment of VAT	Final Report	Medium Substantial	1	-	-	-	Reported in September
Operational	Accounts Payable (Qtly review)	In Progress						See Appendix C
Operational	Business Grant Funding Omicron Schemes – Post Payment Assurance	Final Report	High Substantial					See Appendix C
Operational	S106 Agreements and Funds	Draft Report						
Operational	Planning Validation Process	Draft Report						
Operational	Climate Change (Strategic)	Draft Report						
Operational	Publica Performance Information	In Progress						
Follow-Up	Asset Management and Commercial Property	In Progress						
Operational	Business Continuity Management	In Progress						

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Key Financial Control	Payroll	In Progress						
Key Financial Control	Treasury Management	In Progress						
ICT	Business World – Workflow and Approvals	In Progress						
Key Financial Control	Bank Reconciliations	In Progress						
Key Financial Control	Revenues and Benefits	In Progress						
Operational	Human Resources	In Progress						
Operational	Management and Monitoring of Contracts	Audit Ready						
Operational	Mechanism for Charging Council	Audit Ready						
Support	Business Grant Funding – Post Payment Review	Draft Report	N/A	-				Head of IA working with Head of Service, Counter Fraud and Enforcement Unit to conduct post payment review
Support	Business Grant Funding – Aged Debt	On-Going						Quarterly review of Business Grant Overpayment Aged Debts with Head of Service, Counter Fraud and Enforcement Unit for reporting to BEIS
Advisory	Support to the Agile Working Project	On-Going						
Advisory	Environmental Services Improvement Programme	On-Going						

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Advisory	Procurement and Commissioning Group	On-Going						
Advisory	Health and Safety Working Group	On-Going						
Advisory	Public Improvement Programme	On-Going						
Grant Certification	Test and Trace Payment Scheme	Complete	N/A					
Grant Certification	Contain Outbreak Management Fund	Complete	N/A					
Follow-Up	Follow-Up of Agreed Actions (not included in an audit above)	On Going						
Other Audit Involvement	Working with the Counter Fraud and Enforcement 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 are the Internal Audit reports, of each audit review finalised,
since the last Committee update

Omicron Business Grant Funding Post Payment Assurance – Final Report – November 2022

Audit Objective

To provide assurance that COVID-19 (Omicron Schemes) related Business Grants were paid to eligible businesses, in accordance with Government guidance and Council Policies

Assurance Opinion



A sound system of governance, risk management and control exist, 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

If sufficient checks and controls are not in place, ineligible recipients may receive COVID-19 (Omicron Schemes) Business Grants resulting in potential financial, fraud and reputational risk to the Council.

Assessment

Low

Key Findings

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In January 2022 the Government introduced two new Business Grants Schemes to support businesses affected by the Omicron variant:

- The Omicron Hospitality and Leisure Grant scheme to be paid to hospitality, leisure and accommodation businesses (Mandatory Scheme)
- A Third ARG Top-Up Scheme, to support businesses severely impacted by the rise of the Omicron variant (Discretionary Scheme).

The mandatory scheme was guided by government procedure, and the council adopted a policy for the discretionary scheme. The applications were processed by Grant Assessors with support provided by the Head of Service, Counter Fraud and Enforcement Unit (CFEU).

For both schemes we have undertaken the following work:

- Verifying mandatory grant applications to ensure eligibility of business applying.
- Verifying payments made (based on rateable value), match government guidance and are reflected in the main financial system.
- Verifying supporting evidence supplied with discretionary grant applications.
- Verifying payments made are in accordance with Council Policy (for discretionary grants) and reflected in the main financial system.
- Cross referenced to previous Post Payment Assurance reports for accuracy.

Audit Scope

We reviewed a sample of cases / applications that were awarded COVID-19 (Omicron) Business Grants, to ensure payments were made to eligible recipients and in line with Government guidance and Council Policy (ARG Scheme).

Mandatory Scheme – 701 applications awarded; audit reviewed 211 applications (30%)

Discretionary Scheme – 127 application awarded; audit reviewed 127 applications (100%)

Of the 338 applications reviewed:
Mandatory Scheme – 15 applications were identified as potential issues.
Discretionary Scheme – 5 applications were identified as potential issues.
We can confirm there were no significant findings. The cases noted above have been presented to the CFO for review and decision if further investigation is required.
The remaining 318 COVID-19 (Omicron Schemes) business grant payments reviewed were paid to eligible businesses and in accordance with Government guidance and Council Policy.

Further Comment

Conditions placed on the grant schemes were actioned by officers as appropriate e.g., regular data submission deadlines and reconciliations.

Accounts Payable Continuous Auditing Analysis – Final Report – December 2022

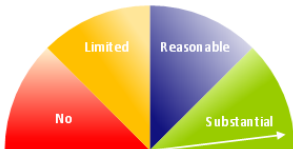
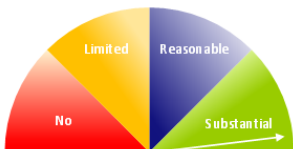
Audit Objective

The objective of the continuous review is to identify potential duplicate payments, summarise, and present to the AP team for remedial action.

Audit Scope

Our review covers a period of 2 years, checking for potential duplicate payments at CDC, and between CDC and/or Publica, CBH or another Council. Findings have been summarised and reported to the Accounts Payable team for further review and remedial action where necessary. Findings have been followed-up during the subsequent review.

Assurance Opinion

Quarter 1	Quarter 2	Quarter 3	Quarter 4
			

The assurance provided above relates only to the controls and processes operated by the Publica Accounts Payable service.

CDC officers and Publica service area officers are responsible for approving invoices for payment and therefore must ensure robust checks are undertaken prior to authorising a payment. This will help to limit the risk of duplicate payments being processed.

Testing / Findings

	Q1 (July 22)	Q2 (Nov 22)	Q3	Q4
Total number of payments made	1095	908		
Number of potential duplicate payments identified (paid twice by CDC)	0	2		
Potential duplicate payments as a % of the total number of payments made for the quarter	-	0.2%		
Value of potential duplicate payments	£0	£1,784		
Total value of outstanding payments to be recovered	£0	£0		
Number of potential duplicate payments identified (paid by CDC and another organisation)	1	0		
Potential duplicate payments as a % of the total number of payments made for the quarter	0.1%	-		
Value of potential duplicate payments	£1,194	0		
Total value of outstanding payments to be recovered	£600	£1,194		

For Information

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

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Audit Period	Audit Name	Unique Reference	Issue	Status Aug 2022	Status Jan 2023	Priority	Created Date	Target	End Date	Revised End	Closed Date
								Implementation Date		Date	
OPEN / OUTSTANDING AGREED ACTIONS											
Pre 2021/22 Audits		2									
October 2020	Revenues and Benefits (CDC, FoDDC, WODC)	44592	Housing Benefit not reconciled during 2020	Ongoing	Ongoing	2	18/11/2020	31/01/2021	01/02/2021	30/11/2022	To be followed up during 2022
October 2020	Revenues and Benefits (CDC, FoDDC, WODC)	44540	Officer system access is not revoked when it is no longer required.	Ongoing	Ongoing	3	09/11/2020	31/03/2021	30/06/2021	30/11/2022	To be followed up during 2022
2021/22 Audits		15									
October 2021	Revenues and Benefits - Ctax and NNDR (CDC, FoDDC, WODC)	46965	Regular Financial Reconciliations are not completed	Agreed	Ongoing	2	08/04/2022	31/07/2022	31/07/2022	30/11/2022	To be followed up during 2022
October 2021	Revenues and Benefits - Hsg Benefit and Ctax Support (CDC, FoDDC, WODC)	46965	Regular Financial Reconciliations are not completed	Agreed	Ongoing	2	08/04/2022	31/07/2022	31/07/2022	30/11/2022	To be followed up during 2022
October 2021	Revenues and Benefits - Hsg Benefit and Ctax Support (CDC, FoDDC, WODC)	46966	Backlogs exist in processing Housing Benefits claims	Agreed	Ongoing	3	08/04/2022	31/07/2022	31/08/2022	30/11/2022	To be followed up during 2022
October 2021	Revenues and Benefits - Ctax and NNDR (CDC, FoDDC, WODC)	46628	Revenues: Inconsistent practices are operating across the service	Agreed	Ongoing	3	09/12/2021	30/11/2022	31/12/2022		To be followed up during 2022
October 2021	Main Accounting and Accounts Receivable (CDC, FoDDC, WODC)	47056	Write off Separation of duties.	Agreed	Ongoing	2	04/05/2022	30/09/2022	31/10/2022		To be followed up during 2022
October 2021	Main Accounting and Accounts Receivable (CDC, FoDDC, WODC)	47096	Debt Management, recovery and write off guidance.	Agreed	Ongoing	2	17/05/2022	30/09/2022	31/10/2022		To be followed up during 2022
October 2021	Payroll (CDC, FoDDC, WODC)	46799	Outstanding balances accumulating in suspense accounts	Agreed	Ongoing	3	25/02/2022	30/09/2022	30/09/2022	31/12/2022	To be followed up during 2022
September 2021	Election Expenses - Treatment of VAT	47324	Lack of a VAT code check list to aid invoice processing	Agreed	Ongoing	3	25/07/2022	31/03/2023	30/04/2023		
September 2021	ICT - Vulnerability Management	47107	Device Security Status Checks	Agreed	Ongoing	2	18/05/2022	31/12/2022	31/01/2023		
January 2022	Procurement Cards	47405	Non-Compliance with Council Policy	Agreed	Ongoing	1	28/07/2022	30/09/2022	31/10/2022		Follow-Up in Progress
January 2022	Procurement Cards	47406	Card Sharing and Unused Cards	Agreed	Ongoing	1	28/07/2022	30/09/2022	31/10/2022		
January 2022	Procurement Cards	47407	Recharge of Card Spend	Agreed	Ongoing	2	28/07/2022	30/12/2022	31/01/2023		
January 2022	Procurement Cards	47408	Policy Updates	Agreed	Ongoing	2	28/07/2022	30/12/2022	31/01/2023		
January 2022	Procurement Cards	47409	Cardholder Agreements	Agreed	Ongoing	2	28/07/2022	30/12/2022	31/01/2023		
January 2022	Procurement Cards	47410	Transparency Reports	Agreed	Ongoing	2	28/07/2022	30/12/2022	31/01/2023		
COMPLETED / CLOSED AGREED ACTIONS											
Pre 2021/22 Audits - Agreed Actions Completed		10									
July 2019	Cyber Security - Incident Management	44563	Tracking mechanism for ongoing and recurring vulnerabilities.	Closed - Recommendation Complete		3	10/11/2020	31/12/2021	31/01/2022	30/06/2022	11/07/2022
January 2021	Human Resources (Learning & Development)	45223	There is no Learning Management System in place	Closed due to Time Limits		3	23/03/2021	31/03/2022	30/04/2022		06/07/2022
January 2021	Human Resources (Learning & Development)	45249	Third parties and/or temporary staff working for or on behalf of the Council are not required to carry out mandatory training modules	Closed due to Time Limits		2	30/03/2021	31/03/2022	30/04/2022		06/07/2022
January 2021	Human Resources (Learning & Development)	45287	The Public Learning and Development Guidance and associated forms (Training Brief form and Learning Contract) have not been fully approved by relevant Employee Trade Unions.	Closed due to Time Limits		2	13/04/2021	30/09/2021	31/10/2021	30/11/2021	06/07/2022
January 2021	Human Resources (Learning & Development)	45266	Course completion data extracted from iHasco is unreliable and incomplete, meaning it cannot be used for reliable reporting and training monitoring	Closed due to Time Limits		3	09/04/2021	31/10/2021	30/11/2021		06/07/2022
October 2020	ICT Audit Deployment of Anti-Malware Devices	45452	Process to check for anti-malware status and coverage.	Complete		3	17/05/2021	31/10/2021	30/11/2021	30/04/2022	11/07/2022
July 2019	Cyber Security - Incident Management	44560	The Incident Management Policy, along with the Information Security Framework of policies, were last updated in 2017.	Outstanding	Complete	2	10/11/2020	30/04/2021	31/05/2021	30/09/2022	13/10/2022
July 2019	Cyber Security - Incident Management	44561	Incident Response plans are not fully documented.	Agreed	Complete	3	10/11/2020	31/12/2021	31/01/2022	30/09/2022	15/09/2022
July 2019	Cyber Security - Incident Management	44562	Incident Management and investigation procedures are not documented.	Agreed	Complete	2	10/11/2020	31/12/2021	31/01/2022	30/09/2022	15/09/2022

Audit Period	Audit Name	Unique Reference	Issue	Status Aug 2022	Status Jan 2023	Priority	Created Date	Target Implementation	End Date	Revised End Date	Closed Date
								Date			
January 2021	Risk Management (CDC, FoDDC, WODC, Pub)	45973	Universal Risk Register Templates are to be issued, with consideration of dedicated Risk Management Tooling.	Outstanding	Closed - Recommendation Complete	2	09/09/2021	31/10/2021	30/11/2021	31/12/2022	23/09/2022
2021/22 Audits - Agreed Action Completed		14									
July 2020	Systems Administration	45115	Privileged user accounts activity	Closed - Recommendation Complete		2	04/03/2021	31/01/2022	31/01/2022	30/06/2022	17/05/2022
July 2020	Systems Administration	45236	A lack of control surrounds the Business World SYSTEM account.	Closed - Recommendation Complete		2	25/03/2021	31/01/2022	31/01/2022	30/06/2022	12/04/2022
January 2021	ICT Audit Data Recovery Capabilities	45747	A Data Recovery Test Schedule was not available.	Complete		3	22/07/2021	31/12/2021	31/01/2022		08/06/2022
June 2021	H&S - Fire Risk Assessments	45890	Fire Risk Assessments Work Schedule is not current and incomplete	Complete		2	18/08/2021	31/12/2021	31/01/2022	31/03/2022	04/05/2022
September 2021	Emergency Planning (CDC, FoDDC, WODC)	46080	Gold Commanders have not undertaken training in the last 3 years.	Complete		2	04/10/2021	31/12/2021	31/01/2022		04/05/2022
January 2022	Monitoring the Performance of Strateg	46712	SWAP Risk is not included in Risk Register	Closed - Recommendation Complete		2	14/02/2022	30/06/2022	31/07/2022		03/08/2022
September 2021	Emergency Planning (CDC, FoDDC, WODC)	46119	No guidance for the use of Emergency Response WhatsApp groups.	Closed - Recommendation Complete		2	13/10/2021	31/12/2021	31/01/2022	30/06/2022	26/07/2022
September 2021	Emergency Planning (CDC, FoDDC, WODC)	46168	Statutory roles and responsibilities are not clearly defined	Ongoing	Closed - Recommendation Complete	2	26/10/2021	31/12/2021	31/01/2022	31/12/2022	17/10/2022
November 2021	ICT - Control of Accounts with Administrative Privileges	46851	Privelege Account Access	Agreed	Closed - Recommendation Complete	3	03/03/2022	30/11/2022	31/12/2022		13/10/2022
November 2021	ICT - Control of Accounts with Administrative Privileges	47032	Administrator Rights	Agreed	Closed - Recommendation Complete	3	11/04/2022	30/11/2022	31/12/2022		05/01/2023
November 2021	ICT - Control of Accounts with Administrative Privileges	47089	Last (current) Logged on user	Agreed	Complete (Client Self Assessment P3)	3	13/05/2022	30/11/2022	31/12/2022		13/10/2022
January 2022	Governance of Programmes and Projects	46807	Inconsistencies with the quality of key milestones.	Agreed	Complete	2	01/03/2022	30/09/2022	31/10/2022		03/11/2022
January 2022	Monitoring the Performance of Strategic Commissioned Services	46746	S151 Officer is not receiving SWAP Board Papers	Agreed	Complete	2	16/02/2022	30/06/2022	31/07/2022		30/09/2022
January 2022	Governance of Programmes and Projects	46565	Statutory Officers not consulted on project/programme governance decisions; Framework requires updating	Agreed	Complete	2	05/01/2022	30/09/2022	31/10/2022		

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Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 26th January 2023
Subject	TREASURY MANAGEMENT MID-YEAR REPORT 2022-23
Wards affected	N/A
Accountable member	Cllr Mike Every, Cabinet Member for Finance Email: mike.every@cotswold.gov.uk
Accountable officer	David Stanley, Deputy Chief Executive and Section 151 Officer Email: David.Stanley@cotswold.gov.uk
Summary/Purpose	To receive and discuss details of the Council's Treasury Management performance for the period 01 April to 30 September 2022.
Annexes	None
Recommendation	<i>That the Council's Treasury Management performance for the period 1 April 2022 to 30 September 2022 is considered and recommended to Council for approval.</i>
Corporate priorities	The Council's Treasury Management Strategy 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



1. BACKGROUND

- 1.1** In February 2011 the Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code). The CIPFA Code requires the Council to approve reports on treasury management activities at the end of the first half of the financial year and at the end of the financial year.
- 1.2** This report covers the Treasury Management activity and performance of Cotswold District Council for the period 01 April to 30 September 2022.
- 1.3** The Council's Treasury Management Strategy for 2022/23 was approved at the Council meeting on 16 February 2022. The Council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's Treasury Management Strategy.
- 1.4** The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management 2021 ("the Code"), which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year. The Code also recommends that members be informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing best practice in accordance with CIPFA's recommendations.

2. TREASURY MANAGEMENT – INTRODUCTION

- 2.1** The purpose of the treasury management operation is to ensure that cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in counterparties or instruments commensurate with the Council's low risk approach, pursuing optimum performance while ensuring that security of the investment is considered ahead of investment return. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure.
- 2.2** The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure the Council can meet its capital spending obligations. The management of longer-term cash may involve the arrangement of long and/or short-term loans (external borrowing) or may use longer term cash flow surpluses in lieu of external borrowing (internal borrowing).



- 2.3** The Council continued to engage the services of Arlingclose for independent treasury advice during the year 2022/23. Arlingclose provide specialist treasury support to 25% of UK local authorities. They provide a range of treasury management services including technical advice on investment management and long-term capital financing. They advise on investment trends, developments and opportunities consistent with the Council's Treasury Management Strategy.
- 2.4** The Council's treasury management advisors have provided commentary on the economic background that prevailed during the first half of 2021/22. This commentary is provided at Annex A.

3. TREASURY MANAGEMENT- SUMMARY POSITION - 1 APRIL 2022 to 30 SEPTEMBER 2022

- 3.1** On 31 March 2022, the Council had net investments of £32.923m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while useable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below:

Table 1: Balance Sheet Summary

	31/3/22 Actual £m
General Fund CFR	0
Less: External borrowing	0
Less: Usable reserves	(25.677)
Less: Working capital	2.326
Net Investments	(32.923)

- 3.1** The Council's current strategy is to maintain investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk. If interest rates were to rise by 1%, then investment income would average 3.08%, whilst borrowing costs (based on 20 year PWLB Loan) would be 4.48%. For every £1m borrowed the cost of carry would cost an additional £14,000 per annum.
- 3.2** The Council's strategy has been to diversify investments into pooled funds in order to reduce risk and increase returns. The treasury management position as at 31 March 2022 and the mid-year change is shown in Table 2 below.



Table 2: Treasury Management Summary

	31/3/2022	2022/23	30/9/2022	30/9/2022
	Actual	Movement	Balance	Rate
	£m	£m	£m	%
Short-term borrowing	0	0.500	0.500	2.21
Total borrowing	0	0.500	0.500	2.21
Long-term investments	12.557	(0.844)	11.713	4.30
Short-term investments	5.571	9.547	15.118	1.24
Cash and cash equivalents	14.795	(5.887)	8.908	0.99
Total investments	32.923	2.816	35.739	2.35

4. BORROWING ACTIVITY

- 4.1** Local authorities can borrow from the Public Works Loan Board (PWLB) provided they can confirm they are not planning to purchase 'investment assets primarily for yield' in the current or next two financial years, with confirmation of the purpose of capital expenditure from the Section 151 Officer. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to re-finance existing loans or externalise internal borrowing.
- 4.2** Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, re-financing debt and treasury management.
- 4.3** Competitive market alternatives are available for authorities with or without access to the PWLB. However, the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders.
- 4.4** CIPFA's Prudential Code on Capital Finance and the Treasury Management Code of Practice have been updated with a soft launch for 2022/23 and full implementation for 2023/24. The main changes to the Codes are shown below:
- 4.5 Prudential Code** – The updated code includes the following as the focus of the substantive changes:
- Provisions in the code, which present the approach to borrowing in advance of need in order to profit from additional sums borrowed, have been strengthened. The relevant parts of the code have augmented to be clear that borrowing for debt-for-yield investment is not permissible under the Prudential Code. This recognises that commercial activity is part of regeneration but underlines that such transactions do



not include debt-for yield as the primary purpose of the investment or represent an unnecessary risk to public funds.

- Proportionality is included as an objective in the Prudential Code. Provisions have been added so that an authority incorporates an assessment of risk to levels of resources used for capital purposes.
- Capital strategies are required to report investments under the following headings: service, treasury management and commercial investments.

4.6 Treasury Management Code – The main changes to the Treasury Management code are as follows:

- Investment management practices and other recommendations relating to non-treasury investments are included within the Treasury Management Practices (TMPs) alongside existing TMPs.
- Introduction of the Liability Benchmark as a treasury management indicator for local government bodies.
- Environmental, Social and Governance (ESG) risks are incorporated into TMPI (Risk Management) rather than a separate TMP 13.
- The purpose and objective of each category of investments should be described within the Treasury Management Strategy

4.7 The Council is not planning to purchase any investment assets primarily for yield within the next three years and so is able to fully access the PWLB.

4.8 The Council's first Community Municipal Investment (CMI), named 'Cotswold Climate Investment' (CCI) which targeted a £500,000 fundraise closed on the 16 August 2022, fully funded by over 450 investors. As at 30 September 2022 the Council therefore held a £500k loan administered through Abundance Investments Limited for the purpose of Community Municipal Investments. The Cotswold Climate Investment will support a range of projects, including installing publicly available off-street electric vehicle charging points (EVCPs) around the District to encourage electric vehicle take-up, and improving the energy and carbon performance of the Council's Cirencester offices.

4.9 There are plans to borrow in the future to fund the Capital Programme. Any borrowing undertaken will be reported back to members of this Committee and will be subject to consideration by the Capital Programme Investment Board and approval by either Cabinet or Council as appropriate.



5. INVESTMENT PERFORMANCE AND PROJECTIONS

- 5.1 The Council invested funds, representing income received in advance of expenditure plus balances and reserves held. During the first-half of the year, the Council's investment balances ranged between £47m and £31m million due to timing differences between income and expenditure. The investment position is shown in table 3 below:

Table 3: Treasury Investment Position

	31.3.22 Balance £m	Net Movement £m	30.9.22 Balance £m	30.9.22 Return %
Bank of England DMADF	5.50	9.529	15.029	1.24
Money Market Funds/ Call Accounts	14.795	(5.887)	8.908	0.99
Real Estate Investment Trust (REIT)	1.036	0.011	1.047	2.80
Cash Plus Fund	1.072	0.005	1.077	0.51
Pooled Funds (1)	10.520	(0.843)	9.677	4.45
Total Investments	32.923	2.815	35.738	2.35

(1) See breakdown at Table 4 below.

- 5.2 Both the CIPFA Code and Government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 5.3 Due to the impact of the payment of the Government's Covid-19 grants to businesses on cash flow, the Council kept more cash available at very short notice than is normal. Liquid cash was diversified over several counterparties and Money Market Funds to manage both credit and liquidity risks.
- 5.4 The Investment income budget for 2022/23 is £0.510m, as approved in February 2022. As part of Treasury Management monitoring, a review of Investment income expectations for the year indicates income could exceed budget by £0.318m by year end (based on investment returns in the first half of the year). Increases in the Base Rate have fed-through to higher short term deposit and MMF interest rates. These have increased from 0.01% at the start of the year to over 1% by September with further increases continuing in line with the increases in Base Rate. There has been a small increase in Pooled Fund interest, further details are included in section 7 of this report.



6. EXTERNALLY MANAGED POOLED FUNDS

6.1 Of the Council's investments, £11.5m are held in externally managed strategic pooled cash, bond, equity, multi-asset and property funds and a further £1m is invested in a Housing Real Estate Investment Trust where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds have generated a revenue return of £0.247m (4.30% annualised) in the first half of the financial year. As at 30 September 2022, there is a capital loss of £0.844m in the financial year due to external economic conditions. However, there has been a recovery since October owing to greater political stability and market confidence. A further recovery in capital value is expected over the remainder of the year but global economic uncertainty remains. Members are reminded that Pooled Funds are held for the longer-term and the capital value will fluctuate over each financial year.

6.2 Table 4 below shows the current valuations of the Pooled Funds portfolio, Cash Plus Fund and REIT at 30 September 2022, compared with the opening balances of 1 April 2022.

Table 4: Pooled Funds, Cash Plus Fund and REIT

FUND NAME	Initial Investment	1 April Fund Value	30th Sept Fund Value	Dividends in 2022/23 (as at 30 Sept)	Gain / (Loss) for 2022/23	Gain / (Loss) to Initial Principal	% Return Capital & Dividend 2022/23
	£	£	£	£	£	£	%
CCLA Property Fund	2,500,000	2,683,429	2,754,499	48,285	71,070	254,499	4.45%
Schroders Income Maximiser Fund (E)	1,000,000	847,022	694,555	39,544	(152,467)	(305,445)	(13.33)
CCLA Diversified Income Fund (M)	1,000,000	1,031,275	942,855	15,407	(88,420)	(57,145)	(7.08)
M&G UK Income Fund (E)	2,000,000	1,920,825	1,675,646	57,544	(245,179)	(324,354)	(9.77)
Investec Diversified Fund (M)	2,000,000	1,921,396	1,756,745	40,909	(164,651)	(243,255)	(6.44)
Columbia Threadneedle Bond Fund (B)	2,000,000	2,050,746	1,771,237	30,953	(279,509)	(228,763)	(12.12)
Federated Cash + Fund (C)	1,000,000	1,071,894	1,077,378	-	5,484	77,378	(0.51)
Fundamentum Housing REIT	1,000,000	1,030,000	1,040,000	14,000	10,000	40,000	(2.33)
Total	12,500,000	12,556,587	12,376,599	246,642	(843,673)	(787,085)	(4.75)

Key: E- Equity, M – Multi asset, B –Bond, C – Cash

6.3 Pooled funds capital value fell significantly in the period April to September, by 7.39%. This period has been a very difficult environment for bonds engendered by global central banks' determination to bring high and persistent inflation under control through increases in policy rates and strong rhetoric. The sell-off in gilts, other sovereign bonds and corporate bonds

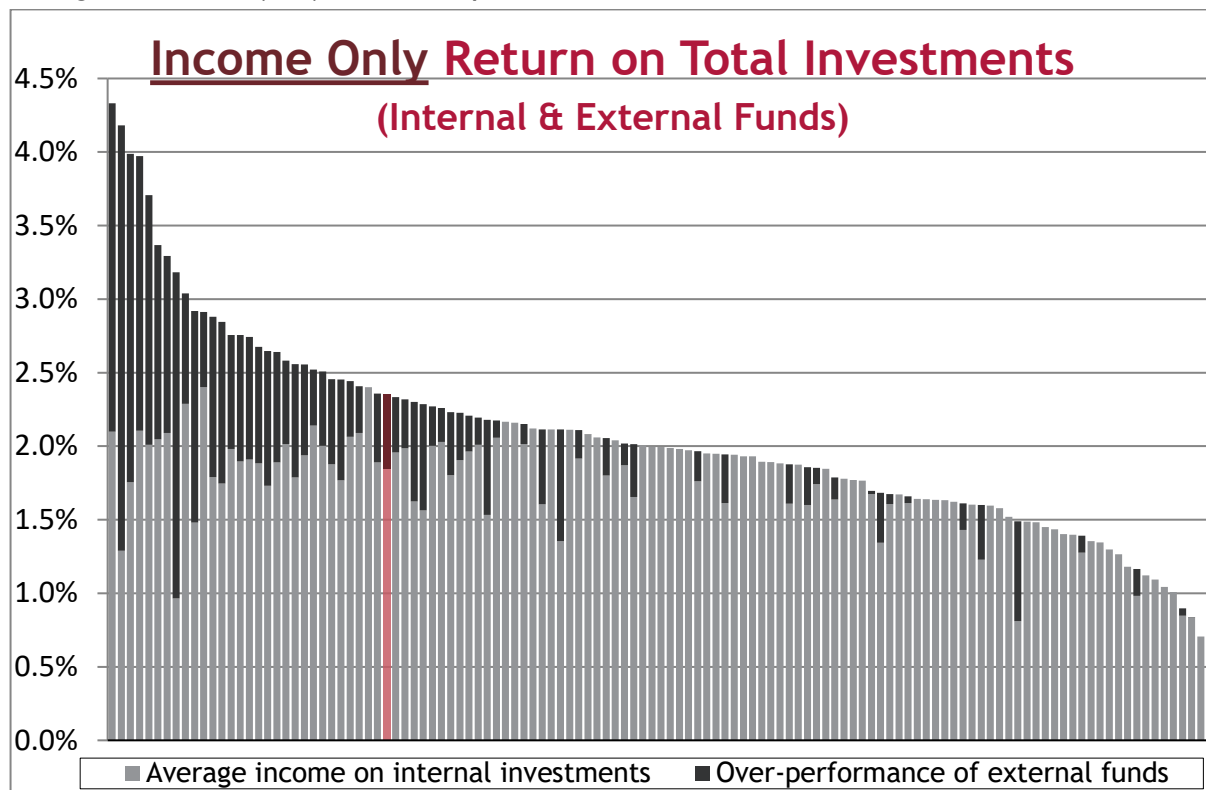


with a rise in gilt/bond yields (i.e. a fall in price) was reflected in the Authority's bond and multi-asset income funds. The increase in policy rates in the UK, US and Eurozone and the prospect of low to no growth and a recessionary period ahead was also a challenging period for equities, the FTSE All Share index falling from 4,187 on 31 March to 3,763 on 30 September. The fall in equity valuations is reflected in the equity and multi-asset income funds.

- 6.4** Significant financial market volatility and uncertainty remain due to stagflation fears, little sight of the war in Ukraine ending soon and ongoing supply chain issues, a lingering problem over the past 30 months, yet to be fully resolved.
- 6.5** The change in the Authority's funds' capital values and income earned over the first half of the financial year is shown in Table 4.
- 6.6** Because the Council's externally managed funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates.
- 6.7** Table 5 below shows that as at 30 September 2022, Cotswold District Council (red bar) achieved the 31st highest average rate on investments from the 121 local authorities that Arlingclose support.



Table 5 Cotswold' District Council investment returns v Arlingclose clients (121) as at 30 September 2022.



7. ARLINGCLOSE'S ECONOMIC OUTLOOK FOR THE REMAINDER OF 2022/23

7.1

	Current	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Official Bank Rate													
Upside Risk	-	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	3.50	4.00	4.25	4.25	4.25	4.25	4.00	3.75	3.50	3.25	3.25	3.25	3.25
Downside Risk	-	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00

7.2 The influence of the mini-budget on rates and yields continues to wane following the reversal of many of the mini-budget announcements and a more fiscally responsible approach shown by UK government.

7.3 Volatility in global markets continues, however, as investors seek the extent to which central banks are willing to tighten policy, as evidence of recessionary conditions builds. Investors have been more willing to price in the downturn in growth, easing financial conditions, to the displeasure of policymakers. This raises the risk that central banks will incur a policy error by tightening too much.



- 7.4** The UK economy is already experiencing recessionary conditions and recent GDP and PMI data suggests the economy entered a technical recession in Q3 2022. The resilience shown by the economy has been surprising, despite the downturn in business activity and household spending. Lower demand should bear down on business pricing power – recent data suggests the UK has passed peak inflation.
- 7.5** The lagged effect of the sharp tightening of monetary policy, and the lingering effects of the mini-budget on the housing market, widespread strike action, alongside high inflation, will continue to put pressure on household disposable income and wealth. The short- to medium-term outlook for the UK economy remains bleak.
- 7.6** Demand for labour appears to be ebbing, but not quickly enough in the official data for most MPC policymakers. The labour market remains the bright spot in the economy and persisting employment strength may support activity, although there is a feeling of borrowed time. The MPC focus is on nominal wage growth, despite the huge real term pay cuts being experienced by the vast majority. Bank Rate will remain relatively high(er) until both inflation and wage growth declines.
- 7.7** The MPC raised Bank Rate by 50bps to 3.5% in December as expected, with signs that some members believe that 3% is restrictive enough. However, a majority of members think further increases in Bank Rate might be required. Arlingclose continues to expect Bank Rate to peak at 4.25%, with further 25bps rises February, March and May 2023.
- 7.8** The MPC will cut rates in the medium term to stimulate a stuttering UK economy, but will be reluctant to do so until wage growth eases. We see rate cuts in the first half of 2024. Arlingclose expects gilt yields to remain broadly steady over the medium term, although with continued volatility across shorter time periods.
- 7.9** Gilt yields face pressures to both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. BoE bond sales and high government borrowing will provide further underlying support for yields.

8. COMPLIANCE

- 8.1** The Chief Finance Officer reports that all treasury management activities undertaken during the quarter complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy.

9. LEGAL IMPLICATIONS

- 9.1** There are no legal implications arising from this report.

10. RISK ASSESSMENT



- 10.1** This report discusses the impact of economic risk on the value and returns associated with the Council's investment portfolio together with the risk of low interest rates on the Council's revenue budget.

11. CLIMATE CHANGE IMPLICATIONS

- 11.1** None directly arising from this report.

12. BACKGROUND PAPERS

- 12.1** None

(END)

1. ECONOMIC BACKGROUND

- 1.1** The ongoing conflict in Ukraine has continued to put pressure on global inflation and the economic outlook for UK and world growth remains weak. The UK political situation towards the end of the period following the 'fiscal event' increased uncertainty further.
- 1.2** The economic backdrop during the April to September period continued to be characterised by high oil, gas and commodity prices, ongoing high inflation and its impact on consumers' cost of living, no imminent end in sight to the Russia-Ukraine hostilities and its associated impact on the supply chain, and China's zero-Covid policy.
- 1.3** Central Bank rhetoric and action remained robust. The Bank of England, Federal Reserve and the European Central Bank all pushed up interest rates over the period and committed to fighting inflation, even when the consequences were in all likelihood recessions in those regions.
- 1.4** UK inflation remained extremely high. Annual headline CPI hit 10.1% in July, the highest rate for 40 years, before falling modestly to 9.9% in August. RPI registered 12.3% in both July and August. The energy regulator, Ofgem, increased the energy price cap by 54% in April, while a further increase in the cap from October, which would have seen households with average energy consumption pay over £3,500 per annum, was dampened by the UK government stepping in to provide around £150 billion of support to limit bills to £2,500 annually until 2024.
- 1.5** The Bank of England increased the official Bank Rate to 2.25% over the period. From a rate of 0.75% in March, the Monetary Policy Committee (MPC) pushed through rises of 0.25% in each of the following two MPC meetings, before hiking by 0.50% in August and again in September.
- 1.6** On 23rd September the UK government, following a change of leadership, announced a raft of measures in a 'mini budget', loosening fiscal policy with a view to boosting the UK's trend growth rate to 2.5%. With little detail on how government borrowing would be returned to a sustainable path, financial markets reacted negatively. Gilt yields rose dramatically by between 0.7% - 1% for all maturities with the rise most pronounced for shorter dated gilts.

2. FINANCIAL MARKETS

- 2.1** Uncertainty remained in control of financial market sentiment and bond yields remained volatile, continuing their general upward trend as concern over higher inflation and higher interest rates continued to dominate. Towards the end of September, volatility in financial markets was significantly exacerbated by the UK government's fiscal plans, leading to an acceleration in the rate of the rise in gilt yields and decline in the value of sterling.



- 2.2** Due to pressure on pension funds, the Bank of England announced a direct intervention in the gilt market to increase liquidity and reduce yields.
- 2.3** Over the period Fitch and Moody's upwardly revised to stable the outlook on a number of UK banks and building societies on the Council's counterparty list, recognising their improved capital positions compared to last year and better economic growth prospects in the UK.
- 2.4** Having completed its full review of its credit advice on unsecured deposits at UK and non-UK banks, in May Arlingclose extended the maximum duration limit for five UK banks, four Canadian banks and four German banks to six months. The maximum duration for unsecured deposits with other UK and non-UK banks on Arlingclose's recommended list is 100 days. These recommendations were unchanged at the end of the period.

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Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 26 JANUARY 2023
Subject	ANNUAL CAPITAL STRATEGY 2023/24 (DRAFT)
Wards affected	N/A
Accountable member	Cllr Mike Every, Cabinet Member for Finance Email: mike.every@cotswold.gov.uk
Accountable officer	David Stanley, Deputy Chief Executive and Section 151 Officer Email: david.stanley@cotswold.gov.uk
Summary/Purpose	<p>The Council is required to approve a Capital Strategy for 2023/24 before 01 April 2023.</p> <p>The Capital Strategy 2023/24 (Appendix 1) is in accordance with CIPFA's "Prudential Code" and the "Treasury Management Code of Practice" 2021, and the former Ministry of Housing, Communities and Local Government (MHCLG) guidance on Local Government Investments</p>
Annexes	N/A
Recommendation(s)	<i>That the Committee considers the draft Capital Strategy for 2023/24 and provides feedback to the Cabinet and Council for consideration as part of the Council's budget setting process.</i>
Corporate priorities	The Council's Capital Strategy 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/



I. BACKGROUND

- I.1** The draft Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.
- I.2** The Capital Strategy sets the Prudential Indicators for affordable, prudent and sustainable capital investment.
- I.3** Decisions made this year on capital and treasury management will have financial consequences for the Council for many years in the future. 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.
- I.4** 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 – enable a vibrant economy.
- I.5** 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.
- I.6** The Strategy has direct links with the Annual Treasury Management Strategy and Annual Non-Treasury Investment Strategy. These are included within the Council's Medium Term Financial Strategy (MTFS).



2. LEGAL IMPLICATIONS

- 2.1** There are no legal implications arising from this report.

3. RISK ASSESSMENT

- 3.1** The processes for identification and management of risks associated with the Capital Strategy are set out within the document.

4. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

- 4.1** None directly arising from this report.

5. BACKGROUND PAPERS

- 5.1** None

(END)



ANNUAL CAPITAL STRATEGY 2023/24

I. STRATEGIC CONTEXT AND PURPOSE

- I.1** The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook will 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 while maintaining and improving Council services
- I.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:
- 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.
- I.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.

2. CAPITAL RESOURCES AND FINANCING

- 2.1** 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.

APPENDIX I



COTSWOLD
DISTRICT COUNCIL

- 2.2** Resources of £22.5m have been identified to fund the four year capital programme from 2023/24 to 2026/27, with £7.3m of this being through prudential 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.
- 2.3** 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.
- 2.4** A breakdown of the resources utilised to fund the capital programme is shown in **Chart I** and **Table I** below:

Chart I – Resources to fund the capital programme 2023/24 – 2026/27

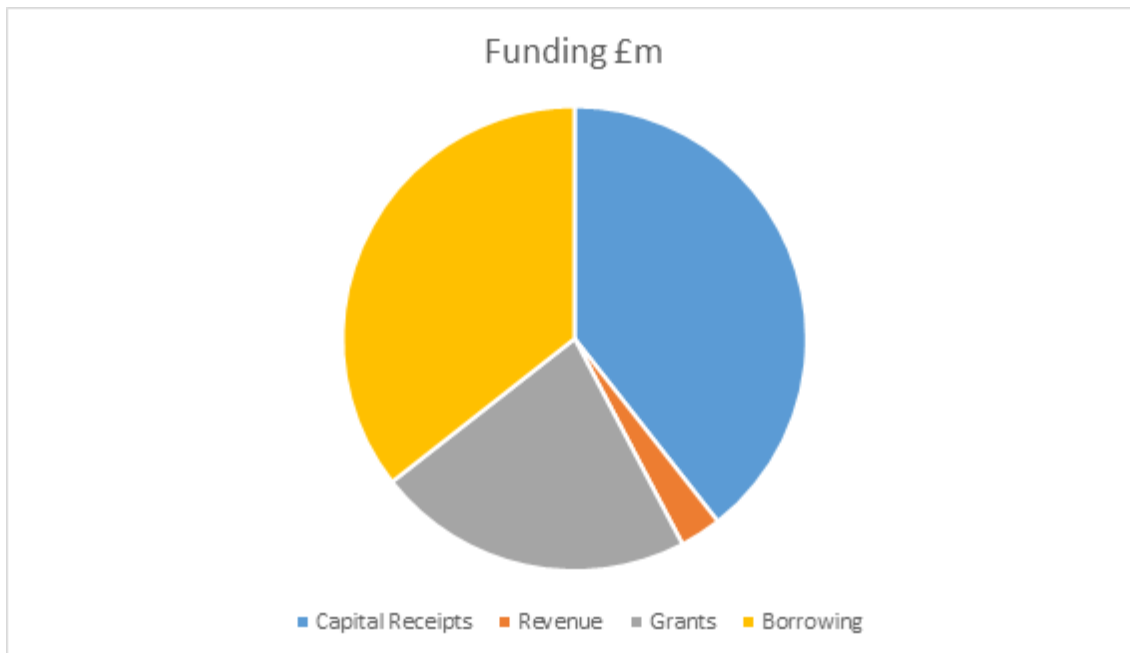


Table I – Capital Financing

	2021/22 Actual (£m)	2022/23 Forecast (£m)	2023/24 Budget (£m)	2024/25 Budget (£m)	2025/26 Budget (£m)	2026/27 Budget (£m)
Specific Resources						
Government Grants and contributions	2.1	2.4	1.9	1.4	0.7	0.7
Other specific Revenue resources	0.2	0.1	0.2	0.2	0.2	0.2
SUBTOTAL Specific Resources	2.3	2.5	2.1	1.6	0.9	0.9
Corporate Resources						
Debt	0.0	0.4	3.6	0.0	0.2	3.6
Capital Receipts	0.4	2.8	8.1	0.7	0.2	0.6
Earmarked Revenue Reserves	0.1	0.2	0.0	0.0	0.0	0.0
SUBTOTAL Corporate Resources	0.5	3.4	11.8	0.8	0.4	4.2
TOTAL Resources	2.7	6.0	13.8	2.3	1.3	5.0



3. CAPITAL EXPENDITURE

- 3.1 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](#)
- 3.2 Based on the above strategy to support the delivery of the Council Plan outcomes, the proposed Capital Programme totals £13.8m in 2023/24 and £22.5m over the four year period to 2026/27 as summarised below in Table 2:

Table 2 – Estimates of Capital Expenditure

Spend by Council Priority Area	2021/22 Actual (£m)	2022/23 Forecast (£m)	2023/24 Budget (£m)	2024/25 Budget (£m)	2025/26 Budget (£m)	2026/27 Budget (£m)
Climate Emergency	1.3	0.5	2.9	0.6	0.0	0.0
Wellbeing	0.1	0.6	1.4	0.1	0.1	0.6
High quality services	0.3	0.8	2.6	0.3	0.5	3.8
Housing	0.9	3.9	1.3	0.7	0.7	0.7
Vibrant Economy	0.0	0.0	4.6	0.7	0.0	0.0
SUBTOTAL Priority Areas	2.6	5.7	12.7	2.3	1.3	5.0
Capital investments	0.0	0.2	1.1	0.0	0.0	0.0
TOTAL	2.6	5.9	13.8	2.3	1.3	5.0

- 3.3 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 C of the Medium Term Financial Strategy.
- 3.4 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.



4. CAPITAL FINANCING – EXTERNAL RESOURCES

- 4.1 Where capital expenditure is funded from external resources such as grants and contributions the financing cost is nil.
- 4.2 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.

5. CAPITAL FINANCING – INTERNAL RESOURCES

Financing from Capital Receipts

- 5.1 Capital receipts from the disposal of assets represent a finite funding source and it is important that a planned and structured approach to disposals is taken to support the corporate priorities of the Council. The Council's estate is managed through the Property Services Team.
- 5.2 **Asset management:** An updated asset management strategy, supported by detailed asset management plans, is being prepared. The strategy will help ensure that the Council's capital assets are maintained and developed and continue to contribute effectively to the delivery of the Council's services, support the local economy or provide income in line with expectations. Where there are opportunities to use assets more effectively to delivery Council Priorities, businesses cases are presented to the Cabinet or Council for approval.
- 5.3 **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects for a further 3 years until 2024/25 (subject to guidance from Government). Repayments of capital grants, loans and investments also generate capital receipts.
- 5.4 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.
- 5.5 **Table 3** shows forecast of Capital Receipts over the medium-term.



Table 3: Capital receipts receivable in £m

	2021/22 Actual (£m)	2022/23 Budget (£m)	2023/24 Forecast (£m)	2024/25 Forecast (£m)	2025/26 Forecast (£m)
Capital Receipts					
Asset sales*	0.9	0.6	0.2	0.2	0.2
Ubico Loans repaid for Vehicle purchase	0.8	0.9	0.9	0.9	0.9
Other Loans repaid	0.0	0.0	0.9	0.1	0.1
TOTAL	1.7	1.5	2.0	1.2	1.2

** Asset sale receipts includes receipts from "Right to Buy" asset disposals from Bromford Housing Association.*

- 5.6 There are no significant asset disposals planned between 2022/23 and 2025/26. Asset sales in 2022/23 includes receipt of £0.3m from sale of the Cotswold Club.
- 5.7 The Council's Audit Committee receives information on the Council's asset portfolio as part of consideration of the financial statements.

Financing from Earmarked Reserves

- 5.8 The Council's earmarked reserves will be funding the following capital programme projects:

Table 4: Capital Programme Funded by earmarked reserves

	2022/23 Budget (£m)	2023/24 Forecast (£m)	2024/25 Forecast (£m)	2025/26 Forecast (£m)
Reserve Funding				
Service Improvements	0.1	0.0	0.0	0.0
Investment	0.1	0.0	0.0	0.0
TOTAL	0.3	0.0	0.0	0.0

6. CAPITAL FINANCING – DEBT AND TREASURY MANAGEMENT

- 6.1 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 I**.
- 6.2 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.



- 6.3 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.

Borrowing Strategy

- 6.4 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. These objectives are often conflicting, and the Council will therefore seek to strike a balance between lower-cost short-term loans and long-term fixed rate loans where the future cost is known but higher.
- 6.5 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 2024/25 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.
- 6.6 The Council does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.
- 6.7 The cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt financed capital expenditure 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

	2021/22 Actual (£m)	2022/23 Budget (£m)	2023/24 Forecast (£m)	2024/25 Forecast (£m)	2025/26 Forecast (£m)
Capital Financing Requirement					
Investment in Council Priorities	0.0	0.4	2.9	2.8	2.6
Capital Investments	0.0	0.0	0.0	0.0	0.0
TOTAL CFR	0.0	0.4	2.9	2.8	2.6

Liability Benchmark

- 6.8 To compare the Council's estimated borrowing against an alternative strategy, a liability benchmark is calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £13m at each year-end. The liability benchmark is currently -£4m and is forecast to rise to £2.5m over the next three years.
- 6.9 Table 6 below shows that the Authority expects to remain borrowed above its liability benchmark. This is because a deliberate decision was made to borrow additional sums through a Community Municipal Investment to give local people a chance to invest in a cleaner, greener, healthier future for the Cotswolds.

Affordable Borrowing Limit

- 6.10 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

	Actual as at 31/03/2022 (£m)	Forecast to 31/03/2023 (£m)	Forecast to 31/03/2024 (£m)	Forecast to 31/03/2025 (£m)	Forecast to 31/03/2026 (£m)
Outstanding borrowing / Debt / Internal Borrowing	0.00	0.40	2.90	2.80	2.60
Capital Financing Requirement	0.02	0.40	2.90	2.80	2.70
Liability benchmark	(18.10)	(4.00)	(0.10)	2.50	0.80
Authorised limit	10.00	8.00	10.00	10.00	10.00
Operational boundary	5.00	3.00	10.00	10.00	10.00

- 6.11 The Council's full MRP statement is included as Appendix I-A and is also mirrored in the Annual Treasury Management Strategy.

Revenue Budget Implications

- 6.12 Although capital expenditure is not charged directly to revenue, the interest payable on loans and provision for repayment of loans (MRP) will be. Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue, which is known as Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. This charge is known as financing costs. The proportion of financing costs to net revenue stream, i.e. the amount funded from Council Tax, Business Rates and General Government Grants is shown in Table 7.

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

Financing costs	Actual as at 31/03/2022	Forecast to 31/03/2023	Forecast to 31/03/2024	Forecast to 31/03/2025	Forecast to 31/03/2026
Financing costs (£m)	0.000	0.006	0.115	0.251	0.257
Proportion of net revenue stream	0.00%	0.05%	0.85%	1.84%	2.31%

- 6.13 The funding available from Government from 2024/25 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.
- 6.14 Further details on the revenue implications of capital expenditure are on pages **x to x** of the 2023/24 revenue budget. [Link](#).

Sustainability

- 6.15 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 40 years into the future. The Chief Finance Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable because the net budget demand on the Council and the risks within the programme have been reviewed and are within the Council's risk appetite and tolerances.

7. TREASURY MANAGEMENT

- 7.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Authority is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.
- 7.2 Due to decisions taken in the past, the Authority currently has £0.5m borrowing at an average interest rate of 2.2% and £47.2m treasury investments at an average rate of 2.29%.
- 7.3 Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.
- 7.4 The Authority's policy on treasury investments is to prioritise security and liquidity over yield that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Authority may request its money back at short notice.

Table 8 – Treasury management investments (£m)

Treasury Management Investments	Actual as at 31/03/2022 (£m)	Forecast to 31/03/2023 (£m)	Forecast to 31/03/2024 (£m)	Forecast to 31/03/2025 (£m)	Forecast to 31/03/2026 (£m)
Near-term investments	20.4	5.8	4.1	2.6	2.6
Longer-term investments	12.5	12.5	12.5	12.5	12.5
TOTAL	32.9	18.3	16.6	15.1	15.1



- 7.5 Further details on treasury investments are included in section 4 of the Treasury Management Strategy [\[link\]](#)
- 7.6 **Risk management:** The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks. The treasury management prudential indicators are included within table 4a and section 7 of the Treasury Management Strategy [\[link\]](#)
- 7.7 **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Chief Finance Officer and staff, who must act in line with the treasury management strategy approved by Council. Half yearly reports on treasury management activity are presented to Audit Committee and then Council. The Audit committee is responsible for scrutinising treasury management decisions.
- 8. INVESTMENTS FOR SERVICE PURPOSES**
- 8.1 The Council makes investments to assist local public services, including making loans to local charities, housing associations, local residents and its employees to support local public services, stimulate local economic growth and support Council priorities of providing socially rented housing and promoting carbon neutral development and infrastructure. Total investments for service purposes are currently valued at £0.5m with the largest being a loan balance to a local charity of £0.3m, providing a net return after all costs of 2%.
- 8.2 **Risk management:** In light of the public service objective, the Authority is willing to take more risk than with treasury investments, however it still plans for such investments to break-even or generate a small profit after all costs. A limit of £4.6m is placed on total investments for service purposes to ensure that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services.
- 8.3 **Governance:** Decisions on service investments are made by the relevant service manager in consultation with the Chief Finance Officer and must meet the criteria and limits laid down in the Investment strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme. The Chief Finance Officer is responsible for ensuring that adequate due diligence is carried out before investment is made. At this time, independent advice may be sought from organisations such as Arlingclose as Treasury Advisors.
- 8.4 Further details on service investments are in section 3 and 4 of the Annual Non-Treasury Investment Strategy: [\[link\]](#)



9. COMMERCIAL ACTIVITIES

- 9.1** 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 £5.9m, with the largest being £1.419m (Cirencester town centre property leased as retail units) at 31 March 2022 providing a net return after all costs of 8.0%.
- 9.2** 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. 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. In order that commercial investments remain proportionate to the size of the authority, and to ensure that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services, these are subject to an overall maximum investment limit of £10m.
- 9.3** 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. The Chief Finance Officer for ensuring that adequate due diligence is carried out before an investment is made.
- 9.4** Further details on commercial investments and limits on their use are included in section 5 of the Investment Strategy.

Table 9: Prudential indicator: Net income from commercial and service investments to net revenue stream

PI: Net Revenue Stream	2021/22 Actual	2022/23 Budget	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast
Total net income from service and commercial investments (£m)	0.51	0.47	0.56	0.59	0.60
Proportion of net revenue stream	3.69%	3.72%	4.17%	4.34%	5.39%



10. GOVERNANCE

- 10.1** 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.
- 10.2** 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. Prudential borrowing is an important way to fund the Council's own priorities where external funding cannot be obtained. The Council sets and monitors prudential indicators to manage its debt exposures.
- 10.3** 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).
- 10.4** 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.
- 10.5** 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.
- 10.6** 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.
- 10.7** Decisions on incurring new discretionary liabilities are taken by the Chief Finance Officer. The risk of liabilities crystallising and requiring payment is monitored by finance and reported quarterly to Cabinet.
- 10.8** 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.



- 10.9** 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

11. MANAGEMENT OF THE CAPITAL PROGRAMME

- 11.1** 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.
- 11.2** 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.
- 11.3** The Council has established a Capital Programme Investment Board which considers business cases for projects which support the priorities of the Council. 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.
- 11.4** For full details of the Council's proposed capital programme see the revenue and budget papers considered by Cabinet and Council in February 2023: [link to be added](#) when Cabinet papers are published
- 11.5** 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.
- 11.6** 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, Public Finance, Group Manager and Strategic Director staff will support Council

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Member governance structures in ensuring that where risks are taken, they are fully understood and proactively managed.

- 11.7** 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.
- 11.8** 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.

**ANNUAL MINIMUM REVENUE PROVISION STATEMENT****I. MRP STATEMENT 2023/24**

- I.1** Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the former Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.
- I.2** The broad aim of the MHCLG Guidance 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.
- I.3** The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. This statement only incorporates options recommended in the Guidance.
- I.4** For any unsupported capital expenditure incurred after 31 March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure for all other assets or on capital expenditure not related to fixed assets but which has been capitalised by regulation or direction (revenue expenditure financed by capital under statute), will be charged over the useful economic life (UEL) of the asset up to a maximum of 50 years. MRP will be applied in the year following expenditure was incurred.
- I.5** For assets acquired by finance lease or private finance initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- I.6** Where former operating leases have been brought onto the balance sheet on 01 April 2023 due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or discounts, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard
- I.7** Where loans are made to other bodies and designated as capital expenditure, no MRP will be charged. However, the capital receipts generated by the repayments on those loans will be set aside to repay debt instead.



- 1.8** At the commencement of 2022/23 the Council had, a Capital Financing Requirement (CFR) of £0m in relation to a specific elements of capital expenditure incurred in the previous financial year (2021/22). The Council has incurred further capital expenditure in 2022/23 and has undertaken borrowing via a Community Municipal Investment (CMI). Further expenditure in 2023/24 will result in the need to engage in an element of Prudential borrowing to achieve total financing of its capital programme. Borrowing undertaken in 2022/23 through the CMI will require MRP to be charged to the Council's General Fund Revenue Account in 2023/24 and future years.
- 1.9** Capital expenditure incurred during 2023/24 will not be subject to MRP charge until 2024/25.
- 1.10** Based on the Council's latest estimate of its capital financing requirement (CFR) on 31 March 2023, the MRP budget for 2023/24 has been set at (£0.017m).
- 1.11** Overpayments: The Authority can make voluntary overpayments of MRP that are available to reduce the revenue charges in later years. No overpayment is planned.



Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 26 JANUARY 2023
Subject	ANNUAL TREASURY MANAGEMENT STRATEGY AND ANNUAL NON-TREASURY INVESTMENT STRATEGY 2023/24 (DRAFT)
Wards affected	N/A
Accountable member	Cllr Mike Every, Cabinet Member for Finance Email: mike.every@cotswold.gov.uk
Accountable officer	David Stanley, Deputy Chief Executive and Section 151 Officer Email: david.stanley@cotswold.gov.uk
Summary/Purpose	<p>The Council is required to approve a Treasury Management Strategy and Non-Treasury Investment Strategy (Investment Strategy) for 2022/23 before 01 April 2023.</p> <p>The attached Treasury Management Strategy Statement (TMSS) for 2022/23 (Appendix 1) and Non-Treasury Investment Strategy (Appendix 2) is prepared in accordance with the “Prudential Code” and the “Treasury Management Code of Practice” (2021 Editions), and the former Ministry of Housing, Communities and Local Government (MHCLG) revised guidance on Local Government Investments</p>
Annexes	N/A
Recommendation(s)	<i>That the Committee considers the draft Treasury Management and Non Treasury Investment Strategy for 2023/24 and provides feedback to the Cabinet and Council for consideration as part of the Council's budget setting process.</i>
Corporate priorities	The Council's Treasury Management Strategy 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



1. BACKGROUND

- 1.1** This draft report sets out the proposed Treasury Management Strategy and Non-Treasury Investment Strategy for the year 2023/24, including the borrowing and investment strategies and treasury management indicators for capital finance for 2023/24 and the Minimum Revenue Provision Statement.
- 1.2** Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Authority to approve a Treasury Management Strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code
- 1.3** The CIPFA "Prudential Code" 2021 edition, "Treasury Management Code of Practice" 2021 edition and MHCLG revised guidance February 2018 focus on "non- treasury" investments. Resulting in a requirement for a separate Non-Treasury Investment Strategy (Annex X) must be approved before April 2023.

2. TREASURY MANAGEMENT

- 2.1** The purpose of the Treasury Management operation is to ensure that cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in counterparties or instruments commensurate with the Council's low risk approach, pursuing optimum performance while ensuring that security of the investment is considered ahead of investment return. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure.
- 2.2** The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure the Council can meet its capital spending obligations. The management of longer-term cash may involve the arrangement of long and/or short-term loans (external borrowing) or may use longer term cash flow surpluses in lieu of external borrowing (internal borrowing).
- 2.3** Accordingly, the Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as: *"The management of the Council'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"*.



- 2.4** The primary purpose of non-treasury investment management operations is to ensure that all investment decisions that are made primarily to generate a profit have a suitable level of security and liquidity. Ensuring risks and rewards are monitored regularly.
- 2.5** The secondary function of investment management is to generate potential returns and monitor performance of returns on a regular basis.
- 2.6** The purpose of the Indicators is to set a framework for affordable, prudent and sustainable capital investment.
- 2.7** Appendices (1 to 3) set out the Treasury Management Strategy, Non-Treasury Management Investment Strategy and Minimum Revenue Provision Statement for 2023/24 and fulfil key legislative requirements as follows:

Appendix 1

- The Treasury Management Strategy which sets out how the Council's treasury operation will support capital decisions taken during the period, the day to day treasury management and the limitations on activity through treasury prudential indicators, in accordance with CIPFA's Code of Practice on Treasury Management and Prudential Code;
- The Annual Borrowing Strategy which sets out the Council's objectives for borrowing together with the approved sources of long and short-term borrowing and;
- Annual Treasury Management Investment Strategy which sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss, in accordance with CIPFA's Code of Practice on Treasury Management.

Appendix 2

- The Non-Treasury Investment Strategy sets out the Council's investment decisions taken during the period and monitors performance and security, in accordance with DLUHC Investment Guidance.

Appendix 3

- The Council's Minimum Revenue Provision (MRP) Statement, which sets out how the Council will pay for capital assets through revenue each year, as required by the Local Government Act 2003 (Regulations 27 and 28 in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003).



3. LEGAL IMPLICATIONS

- 3.1** There are no legal implications arising from this report.

4. RISK ASSESSMENT

- 4.1** A formal risk assessment of the required level of general fund balance will be undertaken as part of the budget setting process.
- 4.2** No investment is without risk. Risks associated with treasury and non-treasury investments are detailed within the Annexes of this report.

5. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

- 5.1** None directly arising from this report.

6. BACKGROUND PAPERS

- 6.1** None

(END)

ANNUAL TREASURY INVESTEMENT STRATEGY 2023/24

I. INTRODUCTION

- I.1 This report sets out the Treasury Management Strategy and policy for 2023/24. 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.
- I.2 The Council's treasury management objectives and activities are defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as:
- "The management of the Council'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."*
- I.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.
- I.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)
 - Government Guidance on **Local Authority Investments**
- I.5 It provides a mechanism by which treasury management decisions can be aligned with the overarching corporate priorities and objectives over the medium term.
- I.6 The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, will be major influences on the Authority's treasury management strategy for 2023/24.
- I.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 I-A** to this Strategy.



2. PURPOSE OF TREASURY MANAGEMENT

2.1 The 2023/24 Treasury Management Strategy has been developed with the following key aims:

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

3. PURPOSE OF TREASURY 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's first Community Municipal Investment (CMI), named 'Cotswold Climate Investment' (CCI) which targeted a £0.500m fundraise closed on the 16 August 2022, fully funded by over 450 investors. As at 1 January 2023 the Council therefore holds a £0.500m loan administered through Abundance Investments Limited for the purpose of Community Municipal Investments at a rate of 2.2% (including management fees). The Cotswold Climate Investment will support a range of projects, including installing publicly available off-street electric vehicle charging points (EVCs) around the District to encourage electric vehicle take-up, and improving the energy and carbon performance of the Council's Cirencester offices.
- 3.7** If the Council undertakes further borrowing 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.
- 3.8** 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 £26m 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 2023/24 is estimated to be around £19.8m.

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- 4.4 On 30 November 2022, the Council held £47.235m of treasury investments which are outlined in Table 1.

Table 1 – Treasury investments as at 30 November 2022

Treasury Investments	30 th November Actual Portfolio £m	30 th November Average Rate %
Money Market Funds/Call Accounts and other pooled funds	8.735	1.34
Short Term Investments – Bank of England DMADF	23.00	1.62
Short Term Investments – Bank deposit (Santander)	3.00	3.26
CCLA Property Investment Management	2.500	3.86
CCLA Diversified Income	1.000	3.09
Schroders Unit Trusts Ltd	1.000	7.91
M&G Securities Ltd	2.000	5.75
Ninety One (formerly Investec)	2.000	4.09
Columbia Threadneedle Fund	2.000	3.68
Federated Cash Plus Fund	1.000	0.01
Fundamentum Housing REIT	1.000	2.80
Total treasury investments	47.235	2.29

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

Table 2 – Investments balances

	31.3.22 Actual £m	31.3.23 Estimate £m	31.3.24 Forecast £m	31.3.25 Forecast £m	31.3.26 Forecast £m
Short term holdings					
Call Accounts	6.093	0	0	0	0
MMFs	8.703	5.685	4.000	2.500	2.500
Short Term Deposits	5.500	0.000	0.000	0.000	0.000
Current Account	0.126	0.100	0.100	0.100	0.100
Total Short term	20.422	5.785	4.100	2.600	2.600
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	32.922	18.280	16.600	15.100	15.100



- 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 continuing effects of the coronavirus pandemic, councils experienced increased levels of cash during 2022/23, mostly due to grant income that Central Government provided to the Council as it looked to use local authorities to continue to support local populations in dealing with the financial impact of the pandemic. Toward the latter end of 2022/23 grant surpluses are being repaid reducing the cash available for investment significantly for 2023/24.
- 4.8** As a result of unprecedented economic times; the war in Ukraine, the fuel crisis and the political upheaval in September, the Bank of England Base Rate has risen from 0.75% to 3.50% in the short period to December 2022. This was done primarily to impact inflation that reached a peak of 11.1% in October, and regain financial stability and confidence in the market that arose from the Liz Truss mini budget. This meant that the Council was able to take advantage of higher than expected interest rates to increase income to support key priorities. Interest rates are expected to increase again but then remain at a peak for the majority of 2023/24 before reducing.
- 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 I-B.



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. Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore this policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

5. HOW WE BORROW MONEY

- 5.1** As outlined in paragraph 3.6 at 01 January 2023, the Council holds a £0.5m loan administered through Abundance Investments Limited for the purpose of Community Municipal Investments. There are plans to borrow in the future to fund the Capital Programme. 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 total debt should be lower than its highest forecast CFR over the following three years. Table 4 shows that the Authority expects to comply with this recommendation during 2023/24.
- 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, see Table 4a. This assumes that cash and investment balances are kept to a minimum level of £13m at year end to maintain sufficient liquidity but minimise credit risk.
- 5.4** The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.
- 5.5** 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

	31.3.22 Actual	31.3.23 Estimate	31.3.24 Forecast	31.3.25 Forecast	31.3.26 Forecast
CFR	0.0	0.5	2.9	2.8	2.6
Less Outstanding External Borrowing	0	-0.5	-0.4	-0.3	-0.2
Internal Borrowing	0.0	0	2.6	2.5	2.5
Usable reserves	25.677	16.8	13.2	10.3	12
Working capital	7.42	2.7	2.9	2.9	2.9
Investments	33.1	19.5	13.5	10.7	12.4

Table 4a – Prudential Indicator: Liability Benchmark £m

	31.3.22 Actual	31.3.23 Estimate	31.3.24 Forecast	31.3.25 Forecast	31.3.26 Forecast
CFR	0.0	0.5	2.9	2.8	2.6
Less Balance Sheet Resources	-33.10	-19.5	-16.1	-13.2	-14.9
Net Loans Requirement	-33.10	-19.0	-13.1	-10.5	-12.2
Plus Liquidity Allowance	15.0	15.0	13.0	13.0	13.0
Liability Benchmark	-18.1	-4.0	-0.1	2.5	0.8

- 5.6 This benchmark is currently £-4.0 million, reflecting the fact that there is no requirement to undertake external borrowing and its cash balances are invested through application of the Treasury Management Strategy. Over the next two years, the liability benchmark moves to £2.5 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

- 5.7 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.
- 5.8 The borrowing will be required to fund significant investments into the Council's key priorities as outlined in the Corporate 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 – enabling a vibrant economy.

- 5.9 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.
- 5.10 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 similar to long-term rates, it is likely to be more cost effective in the short term to use internal resources or to borrow short term loans until interest rates decrease and then look at longer term loans.
- 5.11 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.
- 5.12 The Council may also borrow short term loans to cover unplanned cash flow shortages.

Sources of Borrowing

- 5.13 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 than 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. Details of the Council's Community Municipal Investment are outlined in paragraph 3.6.
- 5.19** 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.
- 5.20** The Treasury Management Prudential Limits and Indicators consistent with the above strategy are set out in Section 7.
- 5.21** 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** 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
Secured investments *	25 years	£3m	Unlimited
Banks (unsecured) *	13 months	£3m	Unlimited
Building societies (unsecured) *	13 months	£2m	£10m
Registered providers (unsecured) *	3 years	£3m	£10m
Money market funds *	n/a	£3m	Unlimited
Strategic pooled funds	n/a	£4m	£20m
Real estate investment trusts	n/a	£3m	£20m

Sector	Time limit	Counterparty limit	Sector limit
Other investments *	3 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 has adequate revenue reserves available to cover investment losses. 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 £3m. 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 require external advice and support 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 an invitation to tender has been issued. A new contract will be in place at 01 March 2023 with our existing advisor or with a new treasury management advisor.

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 £13m) 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% <u>rise</u> in interest rates	-£0.05m
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£0.05m

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 30 years	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	2023/24	2024/25	2025/26
Limit on principal invested for longer than a year.	£15m	£15m	£15m
Amounts invested in longer term instruments with no fixed maturity date	£15m	£15m	£15m

8. TREASURY MANAGEMENT REVENUE BUDGET

- 8.1** The budget for investment income in 2023/24 is £0.719m, based on an average investment portfolio of £18.8m at an interest rate of 3.81%.
- 8.2** The Council aims to maintain its portfolio of long term investments in strategic funds at £12.5m. This is forecast to return £0.433m.



- 8.3** Investments in liquid assets such as bank deposits and money market funds are expected to return 3.8% and generate a yield of £0.286m.
- 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** MiFID II 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.



Arlingclose Economic and Interest Rate Forecast (December 2022)

The influence of the mini-budget on rates and yields continues to wane following the dismantling of the mini budget by the new incumbents of Downing Street.

Volatility in global markets continues, however, as investors seek the extent to which central banks are willing to tighten policy, as evidence of recessionary conditions builds. Investors have been more willing to price in the downturn in growth, easing financial conditions, to the displeasure of policymakers. This raises the risk that central banks will incur a policy error by tightening too much.

The UK economy is already experiencing recessionary conditions and recent GDP and PMI (Purchasing manager Index) data suggests the economy entered a technical recession in Q3 2022. The resilience shown by the economy has been surprising, despite the downturn in business activity and household spending. Lower demand should bear down on business pricing power – recent data suggests the UK has passed peak inflation.

The lagged effect of the sharp tightening of monetary policy, and the lingering effects of the mini-budget on the housing market, widespread strike action, alongside high inflation, will continue to put pressure on household disposable income and wealth. The short- to medium-term outlook for the UK economy remains bleak.

Demand for labour appears to be ebbing, but not quickly enough in the official data for most MPC policymakers. The labour market remains the bright spot in the economy and persisting employment strength may support activity, although there is a feeling of borrowed time. The MPC focus is on nominal wage growth, despite the huge real term pay cuts being experienced by the vast majority. Bank Rate will remain relatively high(er) until both inflation and wage growth declines.

Global bond yields remain volatile as investors price in recessions even as central bankers push back on expectations for rate cuts in 2023. The US labour market remains tight and the Fed wants to see persistently higher policy rates, but the lagged effects of past hikes will depress activity more significantly to test the Fed's resolve.

While the BoE appears to be somewhat more dovish given the weak outlook for the UK economy, the ECB (European Central Bank) seems to harbour (worryingly) few doubts about the short term direction of policy. Gilt yields will be broadly supported by both significant new bond supply and global rates expectations due to hawkish central bankers, offsetting the effects of declining inflation and growth.

APPENDIX I-A



COTSWOLD
DISTRICT COUNCIL

Forecast:

The MPC raised Bank Rate by 50bps to 3.5% in December as expected, with signs that some members believe that 3% is restrictive enough. However, a majority of members think further increases in Bank Rate might be required. Arlingclose continues to expect Bank Rate to peak at 4.25%, with further 25bps rises February, March and May 2023.

The MPC will cut rates in the medium term to stimulate a stuttering UK economy, but will be reluctant to do so until wage growth eases. We see rate cuts in the first half of 2024.

Arlingclose expects gilt yields to remain broadly steady over the medium term, although with continued volatility across shorter time periods.

Gilt yields face pressures to both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. BoE bond sales and high government borrowing will provide further underlying support for yields.

	Current	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Official Bank Rate													
Upside risk	0.00	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	3.50	4.00	4.25	4.25	4.25	4.25	4.00	3.75	3.50	3.25	3.25	3.25	3.25
Downside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
3-month money market rate													
Upside risk	0.00	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	3.00	4.40	4.40	4.40	4.35	4.30	4.25	4.00	3.75	3.50	3.40	3.40	3.40
Downside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
5yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.43	3.60	3.80	3.80	3.80	3.70	3.60	3.50	3.40	3.30	3.30	3.30	3.30
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
10yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.47	3.50	3.60	3.60	3.60	3.60	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
20yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.86	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
50yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.46	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

UKIB Rate (Maturity Loans) = Gilt yield + 0.60%



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 2023/24:

- Publica Group - £0.5m up to one year duration
- Ubico - £0.5m up to one year duration



ANNUAL NON-TREASURY INVESTMENT STRATEGY 2023/24

1. INTRODUCTION

- 1.1 The Authority invests its money for three broad purposes:
- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
 - to support local public services by lending to or buying shares in other organisations (service investments), and
 - to earn investment income (known as commercial investments where this is the main purpose).
- 1.2 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.

2. TREASURY MANAGEMENT INVESTMENTS

- 2.1 The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure as a Council Tax 'billing authority' it collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £12m and £21m during the 2023/24 financial year.
- 2.2 **Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.
- 2.3 **Further details:** Full details of the Authority's policies and its plan for 2023/24 for treasury management investments are covered in a separate document, the treasury management strategy, available here: [\[link\]](#).

3. SERVICE INVESTMENTS: LOANS

- 3.1 **Contribution:** The Council lends money to local charities, housing associations, local residents and its employees to support local public services, stimulate local economic growth and support Council priorities of providing socially rented housing and promoting carbon neutral



development and infrastructure. Loans to residents will be in line with Council approved policies such as its Starter Homes Initiative.

In the last quarter of 2022/23 the Council plans to lend £2.6m short term and £1.897m over 50 years) to a local Housing Association which supports the Council priorities of providing socially rented housing and promoting carbon neutral development and infrastructure

- 3.2 Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, 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	31.3.2022 actual			2023/24
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Local charities	390,160	0	390,160	450,000
Housing associations	315,500	0	31,500	3,000,000
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)	7,970	0	7,970	10,000
TOTAL	540,642	0	540,642	4,590,000

- 3.3** Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The loans 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 Authority will make every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.
- 3.4** In addition to the loans granted, the Council has included provision in its Treasury Management Strategy to loan up to £0.500m to both Ubico and Publica Group (Support) Limited, should either company require support. The Council is a shareholder in Ubico and a shared owner in Publica. In both cases, the loan facility is to enable the Council to provide a loan for short-term cash flow purposes. No loans are currently in place.



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

4. SERVICE INVESTMENTS: SHARES

- 4.1 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. Ubico is wholly owned by eight local authorities and operates as a not for profit enterprise.
- 4.2 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	31.3.2022 actual			2023/24
	Amounts invested	Gains or losses	Value in accounts	Approved Limit
Local authority owned company	1	-	1	1
TOTAL	1	-	1	1

- 4.3 Risk assessment:** the Council has not invested in Ubico to generate a financial return. The Council has invested 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 as to be met by the Councils. Through regular budget monitoring and transparency around contract sums and performance and regulator communication, the risk of any financial loss is mitigated.
- 4.4 Liquidity:** The Council has invested purely to facilitate service provision rather than a financial return. The Council has no intention to dispose of its investment in the foreseeable future.
- 4.5 Non-specified Investments:** Shares are the only investment type that the Authority 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 Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

5. COMMERCIAL INVESTMENTS: PROPERTY



- 5.1 Contribution:** The Council invests in a number of commercial 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.

Table 3: Property held for investment purposes in £

Property	1 April 2021	31.3.2022 actual		31.3.2023 expected	
	Value in accounts	Gains or (losses)	Value in accounts	Gains or (losses)	Value in accounts
Investment Property within Cotswold District	1,194,500	27,500	1,222,000	0	1,222,000
Investment Property inside of Cotswold District 27A Dyer Street	1,715,000	(295,000)	1,420,000	0	1,420,000
Investment Property outside of Cotswold District: Superdrug, Worcester	715,000	5,000	720,000	0	720,000
Investment Property outside of Cotswold District: Tesco, Seaford	1,035,000	95,000	1,130,000	0	1,130,000
Investment Property outside of Cotswold District: Wikinsons, West Bromwich	1,430,000	25,000	1,455,000	0	1,455,000
TOTAL	6,142,500	(195,000)	5,947,000	0	5,947,000

- 5.2 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 2021/22 reflecting the valuer's assumption of the reductions in rental income expected in 2022/23 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'.

- 5.3 Table 3 shows fair value gains and losses in 2021/22 which are a direct result of the valuation undertaken as at 31st March 2022. The losses in respect of 27A Dyer Street 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. Assets are considered sound with strong covenants and dependable income streams.
- 5.4 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.
- 5.5 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding property investments by purchasing property with secure tenants on long leases and through:
- assessment of relevant market sector(s) including the level of competition, barriers to entry/exit, future market prospects
 - assessment of exposure to particular market segments to ensure adequate diversification
 - use of external advisors if considered appropriate by the S151 Officer
 - full and comprehensive report on any new investments to Cabinet/Council
 - continual monitoring of risk across the whole portfolio and specific assets
- 5.6 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Authority sets out in its Treasury Management Strategy 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.

6. LOAN COMMITMENTS AND FINANCIAL GUARANTEES

- 6.1 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.
- 6.2 The Council is a shareholder of Ubico Ltd, owning one eighth of the company and is a joint partner in Publica Group (Support) Ltd, owning one quarter of the company. In both cases, should the company overspend, the Council 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. The Council is contractually committed to make up to £2.6m) of loans to a local Housing Association and expects £2.6m

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(short term) to be drawn down from the final quarter of 2022/23 and throughout 2023/24 and £1.897m (over 50 years) from March 2024.

7. PROPORTIONALITY

- 7.1 The Authority 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 and/or place making role of the Authority is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Plan. Should it fail to achieve the expected net profit, the Council has earmarked reserves available to cover any immediate shortfall in income or will be required to generate savings elsewhere within the budget to continue to provide its services. The Business Manager responsible for the Council's property and estates function would review the cause of any shortfall and identify any actions needed to ensure the income shortfall is mitigated or remedied.
- 7.2 With the introduction of the revised PWLB lending terms, the Council has no intention of purchasing investment assets primarily for yield in the current and following two financial years. With no further expenditure planned on investment assets primarily for yield the proportion of investment to gross service expenditure will fluctuate as a result of changes in investment income from existing holdings and changes in gross service expenditure.

Table 4: Proportionality of Investments

	2021/22 Actual	2022/23 Forecast	2023/24 Budget	2024/25 Budget	2025/26 Budget
Investment income (£)	949,864	1,371,602	1,240,862	1,142,432	1,151,635
Gross service expenditure (£)	24,120,526	25,371,583	25,371,583	25,879,015	26,396,595
Proportion	3.94%	5.41%	4.89%	4.41%	4.36%

8. BORROWING IN ADVANCE OF NEED

- 8.1 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 expenditure. Any funds borrowed will be in relation to specific schemes and based upon the cash required for the chosen schemes.



- 8.2** The Council may, in supporting the delivery of the Council's Capital Programme, borrow in advance of need where it is expected to demonstrate the best longer-term value for money position. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that the value for money can be demonstrated (i.e., the cost of holding does not outweigh the benefits of early borrowing) and that the Council can ensure the security of such funds.
- 8.3** The Council is aware that it will be exposed to the risk of loss of the borrowed sums, and potential interest rate changes. These risks will be managed as part of the Council's overall management of its treasury risks and will be reported through the standard reporting method.

9. CAPACITY, SKILLS AND CULTURE

Elected members and statutory officers:

- 9.1** The Council recognises that those elected Members and statutory officers involved in the investment decision process must have appropriate capacity, skills and information to enable them to:
- take informed decisions as to whether to enter into a specific investment;
 - to assess individual assessments in the context of the strategic objectives and risk profile of the Council; and
 - to enable them to understand how new decisions have changed the overall risk exposure of the Council.
- 9.2** 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 25 years' experience of working in local government finance. 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).
- 9.3** 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, and loans to third parties. 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.
- 9.4** The Council will also consider whether relevant Members of Cabinet have appropriate skills, providing training where there is a skills gap.



- 9.5 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
 - CIMA certificate in Business Accounting
 - Member Institute Welfare & Facilities management
 - Technical member for Institute for Occupational Safety and Health
- 9.6 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 2022/23 Statement of Accounts.
- 9.7 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 Chartered Institute of Legal Executives (CiLEX);
 - Paralegal;
 - Solicitors.
- 9.8 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.
- 9.9 The Council has previously invested in a range of commercial properties which are delivering a sustainable revenue stream to the Council.
- 9.10 **Commercial deals:** The Council's Chief Finance Officer, Deputy Chief 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 relates 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.
- 9.11 Officers would work with a team of specialist officers to prepare business cases for any commercial deals for consideration by Members. 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.

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- 9.12 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.

Corporate governance:

- 9.13 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.
- 9.14 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.
- 9.15 The Audit Committee consider 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 full Council.
- 9.16 The Council's internal audit provider, South West Audit Partnership Ltd (SWAP) 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.

10. INVESTMENT INDICATORS

- 10.1 The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.
- 10.2 **Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

Table 5: Total investment exposure in £millions

Total investment exposure	31.03.2022 Actual	31.03.2023 Forecast	31.03.2024 Forecast
Treasury management investments	32,923,066	18,280,000	16,600,000



Service investments: Loans	540,642	698,748	2,363,687
Service investments: Shares	1	1	1
Commercial investments: Property	5,947,000	5,947,000	6,411,757
TOTAL INVESTMENTS	39,410,709	24,925,749	25,375,445
Commitments to lend	2,600,000	2,400,000	1,897,500
Guarantees issued on loans	0	0	0
TOTAL EXPOSURE	42,010,709	27,325,749	27,272,945

10.3 How investments are funded: Government guidance is that these indicators should include how investments are funded. No investments are currently funded by borrowing. All of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

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

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

Investments net rate of return	2021/22 Actual	2022/23 Forecast	2023/24 Forecast
Treasury management investments	1.1%	2.2%	3.9%
Service investments: Charities Loans*	2%	2%	2%
Service investments: Housing Association Loans	0%	0%	3.25%
Service investments: Local residents (equity loans)	0%	0%	0%
Service investments: Employee car loans	2%	2%	0%
Service investments: Shares	0%	0%	0%
Commercial investments: Property**	9.8%	9.4%	9.56%

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

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

**ANNUAL MINIMUM REVENUE PROVISION STATEMENT****I. MRP STATEMENT 2023/24**

- I.1 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the former Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.
- I.2 The broad aim of the MHCLG Guidance 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.
- I.3 The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. This statement only incorporates options recommended in the Guidance.
- I.4 For any unsupported capital expenditure incurred after 31 March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure for all other assets or on capital expenditure not related to fixed assets but which has been capitalised by regulation or direction (revenue expenditure financed by capital under statute), will be charged over the useful economic life (UEL) of the asset up to a maximum of 50 years. MRP will be applied in the year following expenditure was incurred.
- I.5 For assets acquired by finance lease or private finance initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- I.6 Where former operating leases have been brought onto the balance sheet on 01 April 2023 due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or discounts, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard
- I.7 Where loans are made to other bodies and designated as capital expenditure, no MRP will be charged. However, the capital receipts generated by the repayments on those loans will be set aside to repay debt instead.

- 1.8** At the commencement of 2022/23 the Council had, a Capital Financing Requirement (CFR) of £0m in relation to a specific elements of capital expenditure incurred in the previous financial year (2021/22). The Council has incurred further amounts of capital expenditure in 2022/23 and has undertaken borrowing via a Community Municipal Investment (CMI). Further expenditure in 2023/24 will result in the need to engage in an element of Prudential Code borrowing to achieve total financing of its capital programme. Borrowing undertaken in 2022/23 through the CMI will require MRP to be charged to the Council's General Fund Revenue Account in 2023/24 and future years.
- 1.9** Capital expenditure incurred during 2023/24 will not be subject to MRP charge until 2024/25.
- 1.10** Based on the Council's latest estimate of its capital financing requirement (CFR) on 31 March 2023, the MRP budget for 2023/24 has been set at (£0.017m).
- 1.11** Overpayments: The Authority can make voluntary overpayments of MRP that are available to reduce the revenue charges in later years. No overpayment is planned.

WORK PLAN

COMMITTEE DATE	ITEMS	Author	Responsible Officer
26th January 2023			
	Internal Audit Progress Report	Lucy Cater	David Stanley
	Elected Member Code of Conduct		Angela Claridge
	Update to the Governance Framework		David Stanley
	Work Plan		
	Feedback from the Peer Review- Governance Arrangements		Angela Claridge/ David Stanley
	Annual Treasury Management Strategy and Annual Non-Treasury Investment Strategy 2023/24	Michelle Burge	David Stanley
	Annual Capital Strategy 2023/24		
	Annual Ombudsman Report	Mary-Ann Forrest	Angela Claridge
	Time Limits for O&S and Audit	Ana Prelici	Angela Claridge
27th April 2023			
	Draft Annual Governance Statement	David Stanley	
	Corporate Risk Register	Cheryl Sloan	
	Corporate Enforcement Policy	Emma Cathcart	
	CFEU Update Report (RIPA and IPA annual update)	Emma Cathcart	David Stanley
	Internal Audit Progress Report	Lucy Cater	David Stanley
	Internal Audit Plan and Charter	Lucy Cater	David Stanley
25th July 2023			
	Corporate Risk Register	Cheryl Sloan	
	Internal Audit Annual Opinion	Lucy Cater	David Stanley
	Annual Governance Statement	David Stanley	
	Annual Statement of Accounts		David Stanley
	Informing the Audit Risk Assessment	David Stanley	
	Treasury Management Outturn		David Stanley
18th October 2023			

	Corporate Risk Register	Cheryl Sloan	
	CFEU Update Report (RIPA and IPA annual update)	Emma Cathcart	David Stanley
	Internal Audit Progress Report	Lucy Cater	David Stanley

(END)

Other Officer Reports				
CyberSecurity Update	Report / Verbal Update	John Chorlton / Tony Oladejo		January – For Information / to Note
Annual Governance Statement Action Plan	Report / Verbal Update		David Stanley	Quarterly / Half Yearly?
Risk Management Policy		Zoe Campbell's Team		Approval
Fraud Risk Strategy Update		Emma Cathcart		Annual
RIPA / IPA (Policies & Procedures)		Emma Cathcart		Next due 2023
Proceeds of Crime and Anti Money Laundering Policy		Emma Cathcart		Next due 2024
Counter Fraud and Anti Corruption Policy		Emma Cathcart		Next due 2025
Minutes of Licensing Sub-Committee				Annual - April
Annual Standards Sub-Committee update				Annual - April
External Audit Reports				

Audit Progress Report and Sector Update				Quarterly
Audit Plan				Annual
Audit Findings Post Audit Final Letter of Representation	Presented with Statement of Accounts			Annual
Fee Letter				Annual
Housing Benefit Subsidy Certification (KPMG)		Mandy Fathers		

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