South Cambridgeshire Hall
Cambourne Business Park
Cambourne
Cambridge
CB23 6EA

t: 03450 450 500
f: 01954 713149
www.scambs.gov.uk

South Cambridgeshire
District Council

11 January 2021

To: Chair – Councillor Grenville Chamberlain
Vice-Chair – Councillor Judith Rippeth
Members of the Scrutiny and Overview Committee – Councillors
Anna Bradnam, Dr. Martin Cahn, Nigel Cathcart, Sarah Cheung Johnson, Graham Cone, Dr. Claire Daunton, Dr. Douglas de Lacey, Peter Fane, Jose Hales, Geoff Harvey, Steve Hunt and Dr. Richard Williams
Quorum: 5

Substitutes:	Councillors Heather Williams, Mark Howell, Sue Ellington, Bunty Waters, Gavin Clayton, Henry Batchelor, Dr. Ian Sollom, Eileen Wilson, Clare Delderfield, Deborah Roberts and Alex Malyon

There is a pre-meeting session at 4pm on Monday 18th January for members of the Committee only, to plan their lines of enquiry.

Dear Councillor

You are invited to attend the next meeting of **Scrutiny and Overview Committee**, which will be held on **Tuesday, 19 January 2021** at **5.20 p.m.** This meeting will be conducted remotely using the Microsoft Teams video conferencing system. There will be no access to the meeting at the Council offices, but a live stream will be available via Microsoft Teams. A web link to enable members of the Press and public to view or listen to proceedings, will be published on the relevant pages of the Council's website, at least 24 hours before the meeting.

Members are respectfully reminded that when substituting on committees, subcommittees, and outside or joint bodies, Democratic Services must be advised of the substitution ***in advance of*** the meeting. It is not possible to accept a substitute once the meeting has started. Council Standing Order 4.3 refers.

Yours faithfully
Liz Watts
Chief Executive

The Council is committed to improving, for all members of the community, access to its agendas and minutes. If you have any specific needs, please let us know, and we will do what we can to help you.

Agenda

Pages

1.	**Apologies** To receive apologies for absence from committee members.	
2.	**Declarations of Interest**	
3.	**Minutes of Previous Meeting** To authorise the Chairman to sign the Minutes of the meeting held on 17 December 2020 as a correct record.	**1 - 10**
4.	**Public Questions** To answer any questions asked by the public. The Council's scheme for public speaking at remote meetings may be inspected here: Public Questions at Remote Meetings guidance	
5.	**Summary General Fund Revenue Budget 2021/2022** Appendix B of the report will follow.	
6.	**Housing Revenue Account Budget 2021/2022** Report to follow.	
7.	**Treasury Management Strategy**	**11 - 54**
8.	**Capital Strategy**	**55 - 78**
9.	**Work Programme** For the committee to consider its work programme. The work programme is attached with the Council's Notice of Key and Non Key Decisions. When considering items to add to its work programme, the committee is requested to refer to the attached Scrutiny Prioritisation Tool.	**79 - 94**
10.	**To Note the Dates of Future Meetings** The next meeting will take place on Thursday 25th February 2021 at 5.20pm.	

Guidance Notes for Members of the Public for Remote Meetings

Members of the public are welcome to view the live stream of this meeting, except during the consideration of exempt or confidential items, by following the link to be published on the Council's website.

Any person who participates in the meeting in accordance with the Council's procedure rules, is deemed to have consented to being recorded and to the use of those images (where participating via video conference) and/or sound recordings for webcast purposes. When speaking, members of the public should not disclose any personal information of any individual as this might infringe on the rights of that individual and breach the Data Protection Act.

For more information about this meeting please contact democratic.services@scambs.gov.uk

South Cambridgeshire District Council

Minutes of a meeting of the Scrutiny and Overview Committee held on
Thursday, 17 December 2020 at 5.20 p.m.

PRESENT: Councillor Grenville Chamberlain – Chair
Councillor Judith Rippeth – Vice-Chair

Councillors:	Anna Bradnam	Dr. Martin Cahn
	Nigel Cathcart	Sarah Cheung Johnson
	Graham Cone	Dr. Claire Daunton
	Dr. Douglas de Lacey	Peter Fane
	Jose Hales	Steve Hunt
	Dr. Ian Sollom	Dr. Richard Williams

Councillors Bill Handley, Tumi Hawkins, Brian Milnes, Peter McDonald and Hazel Smith were in attendance, by invitation.

Officers:	Liz Watts	Chief Executive
	Victoria Wallace	Scrutiny and Governance Adviser
	Stephen Kelly	Joint Director of Planning and Economic Development
	Sharon Brown	Deputy Director Delivery
	Jeff Membery	Head of Transformation

1. Apologies

Apologies for absence were received from Councillors Geoff Harvey and Judith Rippeth. Councillor Ian Sollom was a substitute for Councillor Harvey.

In Councillor Rippeth's absence, Councillor Jose Hales was appointed as Vice Chair for the meeting.

2. Declarations of Interest

There were no declarations of interest.

3. Minutes of Previous Meeting

The minutes of the meeting held on 12th November 2020 were agreed as a correct record of the meeting, subject to the following amendments:

- Councillor Richard Williams to be added to the list of attendees.
- Regarding the task and finish group looking at equality and diversity issues, this would be changed to 'looking at anti-racism'.

4. Public Questions

There were no public questions.

5. Update on Policing matters from Cambridgeshire Constabulary

The Chief Constable of Cambridgeshire Constabulary, Nick Dean, attended the meeting to update the Scrutiny and Overview Committee on policing matters in South Cambridgeshire and to answer questions from committee members. These questions and answers are included as an appendix to the minutes of the meeting.

The Chair of the Scrutiny and Overview Committee and committee members thanked the Chief Constable for his attendance at the meeting.

6. Greater Cambridge Shared Planning Service Delivery Update

The Lead Cabinet Member for Planning presented the report which provided the Scrutiny and Overview Committee with an update on the delivery of the Shared Planning Service. She highlighted the following to the committee:

- Weekly planning reports were provided to parishes and members.
- A new online customer feedback questionnaire had been created.
- A new onboarding process for new staff had been introduced
- A new single customer complaints process had been developed for Cambridge City and South Cambridgeshire.
- A new and improved pre-application service had been launched. It was hoped that more applicants would use this service, and that applications would subsequently move through the system more easily.
- A 24 hour call back service had been introduced for officers to respond to those who had requested updates.
- A standard planning performance agreement had been introduced.
- More member development had been introduced, with bitesize training sessions taking place before Planning Committee meetings started.
- Work was ongoing on a suite of planning conditions.
- The Planning Advisory Service review had taken place. This had reviewed the Cambridge City and South Cambridgeshire Planning Committees. The report would be published in early 2021.

The Assistant Director (Delivery) informed the committee of the following:

- The major work in merging the two planning services was complete. Work was ongoing on aligning the processes of the services.
- The ICT upgrade had taken place with the migration to a new system and new server, creating a more robust system. This had taken significant officer time and high volumes of testing work had been carried out
- The reduction in the number of complaints regarding the service compared to the previous year was highlighted.
- S106 agreements had been completed for the Wellcome Trust and Land North of Cherry Hinton planning applications.
- The work of team leaders to improve relationships with parishes was highlighted. There would be a programme of quarterly parish meetings.
- Work would be carried out in relation to the reliance on extensions of time. The committee was informed that these were used extensively across the country and South Cambridgeshire District Council was consistent with

many other local authorities in this regard.
- The committee was informed that it would be difficult to provide data regarding who had requested extensions of time. The committee was informed that in most cases, the applicant sought an extension of time to amend their application.
- A single tree application process would be developed.
- There was further work to to be done on making the application processes as efficient as possible.
- The way in which appeals were processed would be looked at.
- The number of Terraquest staff had been reduced from three part time to one full time member of staff working on the validation of applications.
- The committee was informed that many requests from parish councils to refer applications to the Planning Committee were declined. 22% of applications were being referred to the committee and this matter was being kept under review. This would need to be looked at through the implementation of the recommendations from the Planning Advisory Service.
- In recent months, 100% of business applications had been approved and 80% of household applications. These approvals would often not be possible without the amendment of applications.

Committee members informed the Lead Cabinet Member and officers that they had received complaints from parish councils which had been unable to access documents on the online planning portal when they had needed to. It was queried whether the availability of the website was being tracked. Members were informed by officers that when the site was undergoing maintenance, notification was put on the Council’s website. Members requested that advance notice of scheduled website maintenance be provided to parish councils.

Committee members acknowledged the work of the Planning team on Northstowe, however were concerned at losing another member of staff from this team and the lack of continuity this would result in. Members queried whether major strategic sites could be a priority for permanent staffing. In response to this, the Lead Cabinet Member for Planning informed the committee that staffing was an issue across the country. The service used contract staff rather than leaving posts vacant and would continue to look for permanent staff. The committee was informed that there were several vacancies on the Strategic Sites Team.

Vacancies in the Technical Support Team were queried. The Deputy Director (Delivery) informed the committee that the vacant posts were fixed term posts which expired in March 2021 and had been filled by agency staff. All permanent posts in the team were filled.

Some committee members informed officers and the Lead Cabinet Member that parish councils were grateful for the weekly planning updates.

The Joint Director of Planning and Economic Development informed the committee that the council’s use of extensions of time was not unusual compared to other local planning authorities and this data could be found online. He informed the committee that there was a difference between major and minor applications in this regard. For major applications there was a large use of extensions of time whereas with minors, the use of extensions of time was more variable. The service had made efforts with local agents to try and reduce the use of extensions of time, however the service had seen an increase in their use over the last 12 months. The service did not currently have detailed data to show when extensions of time were sought. The Joint Director suggested bringing a report regarding this, to a future Scrutiny and Overview Committee meeting.

The Joint Director of Planning and Economic Development informed the committee that a new process for exit interviews had been put in place with a designated officer within the service carrying out all exit interviews for all permanent and agency staff. This provided consistency in the way these interviews were carried out.

The Joint Director informed the committee that there had been a reduction in the number of major planning applications during the Covid-19 pandemic, however numbers had since increased for household applications. In general, application numbers had gone back to pre-Covid levels and officer workload remained high.

Committee members noted the improvement in the service's performance. The Lead Cabinet Member for Planning informed the committee that the service was being measured against national targets and would continue to do so.

The Scrutiny and Overview Committee:

a) Noted the report.
b) Supported the establishment of a joint member/officer Planning Improvement Group.

Councillors Richard Williams, Anna Bradnam and Grenville Chamberlain were nominated as members of the Planning Improvement Group which would be chaired by the Head of Transformation.

7. Work Programme

The Scrutiny and Overview Committee noted its work programme.

8. Scrutiny Covid-19 Response Task and Finish Group Terms of Reference

The Chair of the Covid-19 Scrutiny Task and Finish Group updated the Scrutiny and Overview committee on the work of the group to date and presented the group's draft terms of reference.

It was agreed that point 3 of the scope of the group in the terms of reference, be amended to investigate how residents in South Cambridgeshire could be supported during the Covid-19 pandemic until June 2021, rather than just through the winter months. The Scrutiny and Overview Committee supported the task and finish group's terms of reference.

It was suggested that another task and finish group could be set up in future to look at longer term support for vulnerable and lonely people in communities.

The task and finish group members thanked officers in the Sustainable Communities team for the support they had provided to them.

9. To Note the Dates of Future Meetings

The next meeting would take place on Tuesday 19th January 2021 at 5.20pm.

The Meeting ended at 7.30 p.m.

This page is left blank intentionally.

Appendix to the minutes of the 17 December 2020 Scrutiny and Overview Committee meeting. Question and answer session with the Chief Constable, Cambridgeshire Constabulary.

Question 1: How are we to meet the challenges of the rapidly growing new town at Northstowe, already experiencing issues with ASB, with reductions in our local officers?

Answer: The Chief Constable informed the committee that the county was covered by response officers supported by neighbourhood policing teams. Northstowe was supported by two sergeants who led two neighbourhood teams. The constabulary was responding to issues that occurred with the rapid development across the county. The Chief Constable provided assurance around neighbourhood policing and reassured members that detailed analysis had been carried out regarding the allocation of PCSOs in the neighbourhood structure; he explained the criteria for how this was done. The committee was informed that every neighbourhood would get a PCSO. The constabulary was aware of local issues at Northstowe which had been flagged to the neighbourhood policing teams and discussed with the relevant problem-solving group. The committee was informed that neighbourhood support teams and other police assets were available to carry out more targeted work.

Question 2: What impact will the reduction in funding have for the community safety partnership in communities like Longstanton/Northstowe which have been identified as priority?

Answer: The Chief Constable clarified that as part of the cuts announced, the decision had been made to remove the role of the community safety officer. He explained the difference between the community safety partnership and community safety officers. He provided assurance that work was ongoing on how to reallocate the work of the community safety officers to avoid any loss in service. The loss of 60 staff across the organisation would have some impact however as much as possible was being done to mitigate the impact of this on communities and reassign the work of these officers. The Chief Constable explained that funding for the community safety partnership came from the Police and Crime Commissioner.

Question 3: The press release said they would guarantee a ‘PCSO in every neighbourhood’- what do they consider a neighbourhood- what size patch are they going to have to cover?

Answer: The Chief Constable explained how PCSOs were assigned. He explained that this depended on the location and demand of the neighbourhood. Resource was matched against size of neighbourhood, threat, risk and vulnerability of the location. He explained that although there were dedicated officers and PCSOs for a geographic area, the resource was flexed to situations as needed.

Question 4: How frequently should any of our villages expect to see a Police Officer or PCSO on its streets in an average month?

Answer: This was a difficult question to answer as this depended on demand. The committee was informed that through the analytical expertise at police headquarters and monitoring of demand, policing presence was flexed in response to demand. The Chief Constable emphasised the importance of people reporting issues to them.

Question 5: We have many residents and Parish Councils who are unhappy with these changes, who should then contact, to most effectively try to get these changes reversed?

Answer: The Chief Constable informed committee members that the decisions regarding these changes had already been signed off and would be implemented. This had been done following consultation. The Chief Constable informed the committee that these had not been easy decisions to make, however the financial situation had to be addressed by the Chief Constable

Question 6: What difference, if any, would it make to police resourcing if responsibility for parking enforcement in all or part of South Cambridgeshire were to be handled by civil enforcement, as it is already in Cambridge City and on those parts of the Park & Ride sites which fall within South Cambs. See https://www.legislation.gov.uk/uksi/2004/2424/made. There are parts of Orchard Park, Trumpington and no doubt other areas which currently fall outside civil enforcement because they are outside the City boundary, and therefore the police are in theory responsible for parking enforcement. Because people know that the police do not have the resources to do this effectively, it is reported that some people are parking illegally in those parts of Orchard Park and Trumpington which fall within South Cambs. Similarly there are villages in South Cambs, including Great Shelford and Sawston, and no doubt others, where lack of resources for police enforcement eg. parking on double yellow lines, is a cause of some concern. This may become a bigger problem as new developments like Waterbeach, Northstowe and extensions to Cambourne are developed.

Answer: The committee was informed by the Chief Constable that civil enforcement of parking was a big topic of debate. Parking was a significant concern for members of the public however was not a high priority for the Police. The Chief Constable informed committee members that parking and speeding was constantly raised with the Police by the community and were issues that affected the quality of life of residents. The Chief Constable informed the committee that he would welcome discussion regarding civil enforcement of parking transferring to district councils.

Question 7: What measures have been taken to combat the increase in speeding in the District during and following lockdown?'

Answer: The Chief Constable informed the committee that speeding was an issue that was consistently raised at community meetings. There was a specialist constabulary for speed enforcement in South Cambridgeshire. Road policing units and speed camera vans were used. Speedwatch across the county was also a valuable resource and there was an extensive network of Speedwatch volunteers. There had been a reduction in the number of volunteers due to the Covid-19 pandemic, but it was hoped this would improve in 2021.

Question 8: How effective is the RCAT (Rural Crime Action Team) team in working with local officers to combat rural crime? Could he provide some instances for our District?

Answer: The Chief Constable informed the committee that RCAT did a fantastic job and was an extremely effective team. Extra resource had been put into RCAT which now had a PCSO; this post would remain despite the recently announced changes. There was an increasing RCAT presence across rural communities. The Chief Constable provided some examples of successful operations with RCAT involvement which had resulted in the recovery of stolen goods and the discovery of several cannabis factories.

Question 9: What effect will the proposed reduction in PSCO numbers have on the overall strength of officers (PCSO and regular officers) available for community policing in South Cambs? Would the rise of regular officer numbers over recent years leave us with a net gain in officer numbers, a fall or will it be neutral against officer numbers in 2010?

Answer: The Chief Constable explained how the allocation of PCSOs and police officers was calculated. He informed the committee that since early 2017, the number of neighbourhood officers had increased from 57 to 132 (to the end of March 2020). PCSO numbers would be reduced by 40. Whilst some of these reductions would be in South Cambridgeshire, these would be minimal. The Chief Constable informed the committee that there would be an overall net gain and Cambridgeshire had the highest number of warranted officers that it had had since 2010. Officers were being deployed as they were being recruited through the government uplift programme. The year 1 allocation for the uplift programme had already been recruited. The year 2 allocation was an additional 58 officers on top of normal recruitment. The committee was informed that it would take time to recruit these officers.

Some committee members raised concern that local knowledge may be lost with the loss of PCSOs who had been serving some areas for a long time and who knew the community well. The Constable informed the committee that the local knowledge of these PCSOs was recognised. Through the uplift programme and recruitment, there was an option for PCSOs to train as police officers. The Chief Constable was committed to deploying any PCSOs who trained as police officers, back into their communities. This would enable continuity of their local knowledge and relationships within the communities.

The Chief Constable informed the committee of the following:

- Since 2010, 20,000 officers had been lost within policing. Any increase in warranted police officers was welcomed and the allocation from the government uplift programme was welcomed. A large proportion of response officers were young in service and inexperienced; this was not unique to Cambridgeshire. To support inexperienced officers, the committee was informed that these officers were put into a continuous professional development unit with experienced officers. These units had been in place since mid-September 2020 and the benefits of the support this provided to inexperienced frontline officers had been seen.
- The Chief Constable clarified that no police stations were being closed. Sawston and Cambourne would be police stations with neighbourhood teams.
- Since the start of the Covid-19 pandemic, communication with the constabulary had moved online rather than people physically attending police stations. The committee was informed that footfall within community police stations was minimal.

The Chief Constable responded to concerns raised by some committee members regarding the relocation of the police station from central Cambridge to a site near the Milton park and ride. Members informed the Chief Constable that some Milton residents were concerned about the potential impact of people being released from custody, on the community in Milton and queried what action was being taken to ensure the residents of Milton were not negatively impacted by this. Members queried whether CCTV could be installed between Milton and the footbridge. In response to the concerns raised:

- The Chief Constable informed committee members that the CCTV issue had been raised with him and he would investigate this.
- The Chief Constable explained that police stations were already located within communities and activities such as drug dealing and anti-social behaviour were not seen in the vicinity of police stations. Criminal activity was not seen around the police station at its current city centre location and it was not expected to be seen in Milton.
- The Chief Constable explained that Milton would see a larger police presence, which residents would hopefully find reassuring.
- The Chief Constable explained that risk assessments were carried out for all people admitted to and released from police custody; this was a legal requirement. Any vulnerable individuals were released into the company of an adult, guardian, or responsible person.

Agenda Item 7

South
Cambridgeshire
District Council

REPORT TO:	Scrutiny & Overview Committee	19 January 2021
LEAD CABINET MEMBER:	Councillor John Williams, Lead Cabinet Member for Finance	
LEAD OFFICER:	Peter Maddock, Head of Finance	

Treasury Management Strategy

Executive Summary

1. To undertake the annual review of the Treasury Management Strategy and to consider a refreshed version of the Strategy for adoption by the Council.

2. This is a key decision as the report seeks to establish a strategy for the Council's 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.

Recommendation

3. **The Scrutiny & Overview Committee is requested to consider and comment on the report that invites Cabinet, at its meeting on 3 February 2021, to recommend to Council the updated Treasury Management Strategy attached at Appendix A to the report which sets the policy framework for the Council's treasury management activity, including (i) the Treasury Management Policy Statement, (ii) Minimum Revenue Provision Policy and (ii) Treasury Indicators.**

Reason for Recommendation

4. To establish and approve an updated Treasury Management Strategy that complies with the Chartered Institute of Public Finance & Accountancy (CIPFA) revised Prudential Code for Capital Finance in Local Authorities. To review the changes to the rules around local authority borrowing from the Public Works Loans Board (PWLB) introduced effective from 26 November 2020.

Details

Treasury Management Strategy

5. Treasury 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 2017 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the

Authority’s legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

6. In addition to the annual report to Council on the treasury management strategy in advance of the financial year, a mid-year review of treasury management performance and an annual review after the close of the financial year are submitted to the Audit and Corporate Governance Committee for consideration.

7. By adopting the key recommendations of the CIPFA Code, the Council maintains as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.

- A treasury management strategy, with supporting suitable treasury management practices, setting out the manner in which the Council will seek to achieve the policies and objectives in the treasury management policy statement, and prescribing how it will manage and control those activities.

8. The Treasury Management Strategy was fully reviewed and refreshed as part of the 2020/2021 budget setting process having regard to established guidance and best practice and an updated version, reproduced at **Appendix A** was approved by Council for adoption at its meeting on 20 February 2020.

Treasury Management Policy Statement

9. The adopted Treasury Management Strategy incorporates a Treasury Management Policy Statement. This is reproduced below and, with the update in red text below, it is considered that it will remain appropriate and applicable during 2021/2022:

This statement relates to the management of the Council’s 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.

The Council has arrangements in place to meet the statutory requirements relating to the Prudential Code for Capital Finance in Local Authorities.

The Council requires that the successful identification, monitoring and control of risk will be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

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 best value in treasury *management and to employing suitable performance measurement techniques within the context of effective risk management.*

The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

The Council's primary objective in relation to its investments is to ensure that long term capital is not put at risk but that within acceptable risk parameters the portfolio is managed to ensure that interest is maximised. Liquidity is managed through the use of money market funds with additional access to the liquid PWLB and Local Authority borrowing market.

The Council will have regard to Environmental, Social & Governance (ESG) considerations when monitoring performance and making investment decisions. As part of this the Council, as a responsible investor, will work with all Counterparties and Treasury Advisors to promote active ESG policies.

Treasury Management Arrangements

10. The Head of Finance, as the Council's designated Section 151 Officer, is responsible for implementing and monitoring the Treasury Management Strategy and for establishing effective treasury management practices. The Council has access to specialist advice where appropriate and, in this regard, Link Asset Services have been appointed to provide treasury management advice on developments and best practice in this area and to provide information on the creditworthiness of potential counterparties, deposit and borrowing interest rates and the economy generally.

Treasury Management Strategy: Annual Review

11. The economic landscape has changed immensely in the last 12 months and, in line with good practice, the Treasury Management Strategy has been subject to annual review. This has included a light touch review of the strategy by Chris Brain Associates, specialist treasury management consultants, to provide reassurance to the Council that it remains fit for purpose in these uncertain times.

12. The review confirms that the existing strategy follows the accepted and expected format for such documents. The review, together with other known changes that have occurred or are in progress, have identified some necessary updates to the Treasury Management Strategy as follows:

    - the inclusion of Environmental, Social & Governance (ESG) considerations. These issues can have a material impact on the value of financial assets and on the long-term performance of investments and, therefore, should be considered to better manage risk and generate sustainable, long term returns. Well managed companies with strong governance are more likely to be successful long-term investments.

- the annual review and update of Treasury Management Indicators that are identified at Section 12 of the adopted Strategy.

- the review of the Minimum Revenue Provision (MRP), at Annex E to the Treasury Management Strategy, following external advice and, in particular, the proposal for the level of MRP to be applied on investment properties to be set to reflect the annual valuation of these properties.

- the need to consider the implications of the changes to the rules affecting local authorities borrowing from the PWLB introduced by HM Treasury from 26 November 2020. The main purpose of the changes is to restrict the ability of local authorities to borrow for pure investment in commercial property. The full response to the consultation is outlined in a HM Treasury document, issued on 25 November 2020, entitled “Public Works Loan Board: future lending terms – Response to the consultation”. The changes are outlined below and could have implications on the Council's wider borrowing requirements.

13. An updated version of the Treasury Management Strategy is attached at **Appendix A** with the proposed changes to the current version of the Strategy, approved on 20 February 2020, identified in red and crossed through text.

PWLB Consultation – Government Response

14. HM Treasury commenced, in March 2020, a consultation on potential changes to the rules around local authorities borrowing from the PWLB.

15. The aim of the consultation was to develop a proportionate and equitable way to prevent local authorities from using PWLB loans to buy commercial assets primarily for yield, without impeding their ability to pursue service delivery, housing, and regeneration under the prudential regime. The changes are outlined below and have been reflected, as appropriate, in the Treasury Management Strategy and also in the Capital and Investment Strategies.

16. Following the consultation, the Government announced (on 25 November 2020) revised lending terms for PWLB borrowing and initial guidance to support Local Authorities to determine if a proposed project is an appropriate use of PWLB loans. These new terms applied to all loans arranged from 9.00am on 26 November 2020.

17. The main features of the new lending terms are as follows:

    (a) As a condition of accessing the PWLB, Local Authorities will be asked to submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB. In order to minimise the administrative burden this process is closely modelled on the existing application process that most large Local Authorities follow to access the Certainty Rate (a discounted rate offered by the PWLB).

(b) As part of this, the PWLB will ask the finance director of the Local Authority (or equivalent) to confirm that there is no intention to buy investment assets primarily for yield at any point in the next three years. This assessment is based on the finance director's professional interpretation of guidance issued alongside these lending terms.

(c) It is not possible to reliably link particular loans to specific spending, so this restriction applies on a 'whole plan' basis – meaning that the PWLB will not lend to a Local Authority that plans to buy investment assets primarily for yield anywhere in their capital plans, regardless of whether the transaction would notionally be financed from a source other than the PWLB.

(d) When applying for a new loan, the Local Authority will be required to confirm that the plans they have submitted remain current and that the assurance that they do not intend to buy investment assets primarily for yield remains valid.

(e) The government is committed to the prudential system and has no intention of routinely reviewing the purpose of individual loans. If HM Treasury has concerns that a loan may be used in a way that is incompatible with HM Treasury's own duties to ensure that public spending represents good value for money to the taxpayer, the department will contact the Local Authority to gain a fuller understanding of the situation. Should it transpire that a Local Authority has deliberately misused the PWLB, HM Treasury has the option to suspend access to the PWLB, and in the most extreme cases, to require that loans be repaid. In practice such an eventuality is highly unlikely and would only occur after extensive discussions.

18. The Government has specifically identified the categories of "service delivery", "housing", "regeneration", and "treasury management" and considers that these are suitable for encapsulating most capital spending by local authorities. The Government considers also that there is a "preventative" category of activity that involves direct investments in companies or other assets to prevent social or economic decline (distinct from the regeneration category). The Government has defined this activity in the published guidance as action with all of the following characteristics:

(a) The intervention prevents a negative outcome, such as by buying and conserving assets of community value that would otherwise fall into disrepair, or providing support to maintain economic activity that would otherwise cease.

(b) There is no realistic prospect of support from a source other than the local authority.

(c) The local authority has an exit strategy and does not propose to hold the investment for longer than is necessary to achieve the objectives that justified the intervention.

(d) The intervention takes the form of grants, loans, sale and leaseback, equity injections, or other forms of support that generate a balance sheet asset.

19. The Government has chosen to issue guidance rather than strict definitions because of the challenges of developing strict definitions that reliably give the intended categorisation when applied to something as diverse as local government. It does, however, anticipate that cases of preventative action will be relatively rare.

20. If a Local Authority intends to buy commercial assets primarily for yield (even by using reserves) then they will be prevented from taking any PWLB borrowing. It is not, therefore, permitted to reprofile the capital programme so that borrowing is only used on allowed projects, with internal borrowing used for commercial activities. This does not, however, prevent the Council from borrowing for projects that are primarily for other purposes, which also happen to generate a financial yield (e.g. land assembly for development or regeneration purposes).

21. Regeneration projects are permissible and are described in the guidance as having characteristics that fall into one of four areas:

(a) The project is addressing an economic or social market failure by providing services, facilities, or other amenities of value to local people and that would not otherwise be provided by the private sector.

(b) The Local Authority is making a significant investment in the asset beyond the purchase price: developing the assets to improve them and/or change their use, or otherwise making a significant financial investment.

(c) The project involves or generates significant additional activity that would not otherwise happen without the local authority's intervention, creating jobs and/or social or economic value.

(d) While some parts of the project may generate rental income, these rents are recycled within the project or applied to related regeneration projects, rather than being applied to wider services.

22. Investment on 'out of area' acquisitions will, however, be difficult to justify on the grounds of the five accepted borrowing categories.

23. The Housing category would appear to justify the continuation of Housing Revenue Account (HRA) schemes and General Fund housing activity, or housing delivered through Council owned companies and thus does not appear to restrict the borrowing for the purpose of social or affordable housing.

24. Individual projects and schemes may have characteristics of several different categories of spending. In these cases, the Section 151 officer or equivalent of

the authority will need to use their professional judgment to assess the main objective of the investment and consider which category is the best fit.

25. The Government intends to monitor the implementation of these reforms to ensure that the new lending arrangements are working as intended. MHCLG is reviewing the effectiveness of the local government borrowing and investment framework, and is developing options to intervene directly where concerns exist that the intent of the prudential regime is not complied with.

26. Local authorities should, therefore, expect External Auditors to review internal decision-making processes around borrowing and investment, including the assessment of whether plans are compliant with the lending terms of the PWLB. Local authorities should ensure, therefore, that processes are robust.

27. The PWLB has consistently provided long-term, well-structured affordable loans to support local authority service delivery and, as such, it is considered that this key source of competitive funding should ideally be maintained for the future.

28. The unexpected increase in PWLB interest rates, by one percentage point from 8 October 2019, was reversed on 26 November 2020 to coincide with the introduction of new borrowing restrictions. This was in line with the Government announcement at the start of the consultation process to cut the interest rate on new PWLB loans, subject to market conditions, once a workable system could be designed and implemented to ensure that support would not be diverted into debt for-yield activity

Options

29. The option of not adopting the revised Treasury Management Strategy is not considered to be appropriate. The CIPFA Code of Practice (2017) requires the Council to approve the Strategy before the start of each financial year. Local politicians and officers operate within local governance frameworks of checks and balances to ensure that decision-making is lawful, informed by objective advice, transparent and consultative.

30. Good governance means that proper arrangements are in place to ensure that an authority's intended treasury management objectives are achieved and establishing a policy framework for the development, management and monitoring of all treasury management activity.

Implications

31. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

Policy

32. The Treasury Management Strategy and associated Treasury Management Practices set out the parameters by which the Council's treasury management function is operated on a day-to-day basis.

33. A separate Capital Strategy sets out the policy framework for the development, management and monitoring of capital investment. Investments held for service purposes or for commercial profit are also subject to a separate Investment Strategy. These Strategies are also scheduled to be considered by Cabinet on 3 February 2021 for onward approval by Council on 23 February 2021.

Legal

34. The statutory framework for the prudential system under which local government operates is set out in the Local Government Act 2003 and Capital Financing and Accounting Statutory Instruments. The framework incorporates four statutory codes:

- The Prudential Code prepared by the Chartered Institute of Public Finance & Accountancy (CIPFA).

- The Treasury Management Code prepared by CIPFA.

- The Statutory Guidance on Local Authority Investments prepared by MHCLG.

- The Statutory Guidance on Minimum Revenue Provision prepared by MHCLG.

35. CIPFA have published a revised Prudential Code (2017 edition) with accompanying Guidance Notes for Practitioners (2018 edition) and the Treasury Management Code (2017 edition).

36. The MHCLG have also published a revised Investment Guidance and Minimum Revenue Provision Guidance (both commenced on 1st April 2018). The most notable change is the requirement to expand the Investment Strategy to non-financial assets such as investments in property.

Financial

37. There are no additional resource requirements as a result of the refreshed Treasury Management Strategy. The prudential and treasury indicators have been amended to take account of known financial activities.

Risk

38. Compliance with the Treasury Management Strategy and associated Treasury Management Practices seeks to mitigate the risks inherent with the treasury management function. The consideration of Security, Liquidity and Yield, in that order, is critical when assessing potential treasury investments.

Environmental

39. There are no environmental implications arising directly from the report. The environmental impacts of each capital scheme are considered as part of the implementation stage of a specific project.

Equality Analysis

40. In preparing this report, due consideration has been given to the Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010.

41. It is considered that the report has no relevance to the Council's statutory equality duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relation. An equality analysis is not needed. Individual capital bids may, however, have specific equality impacts that need to be considered and evaluated.

Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information)
(England) Regulations 2012 require documents to be open to inspection by members of the
public, they must be available for inspection:

(a) at all reasonable hours at the offices of South Cambridgeshire District Council;

(b) on the Council's website; and

(c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- Investment Strategy – Report to Council: 28 November 2019
- General Fund Medium Term Financial Strategy – Report to Cabinet: 4 December 2019
- General Fund Budget Report – Report to Cabinet: 5 February 2020
- General Fund Budget – Report to Council: 20 February 2020
- Treasury Management Annual Report 2019/2020 – Report to Audit and Corporate Governance Committee: 29 September 2020

- Mid-Year 2020/2021 Treasury Management Report – Report to Audit and Corporate Governance Committee: 24 November 2020

- HM Treasury Document entitled "Public Works Loan Board: future lending terms – Response to the consultation" issued on 25 November 2020.

Appendices

A Treasury Management Strategy

Report Authors: Peter Maddock – Head of Finance
e-mail: peter.maddock@scambs.gov.uk

Daniel Hasler – Accounts Assistant
e-mail: daniel.hasler@scambs.gov.uk

APPENDIX A

TREASURY MANAGEMENT STRATEGY

FEBRUARY ~~2020~~ 2021

Councillor John Williams
Lead Member for Finance

Peter Maddock
Head of Finance

1. INTRODUCTION

1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Authority to approve a Treasury Management Strategy before the start of each financial year.

1.2 This Strategy fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA code and the Ministry of Housing, Communities and Local Government (MHCLG) Guidance.

1.3 The Treasury Management Strategy sets the framework for the Council's treasury management activity and includes:

- Treasury Management Policy Statement;
- Minimum Revenue Provision Policy Statement;
- Treasury Management Indicators for ~~2020/2021~~ 2021/2022.

1.4 The Council has borrowed and invested substantial sums of money and, therefore, has potential exposures to financial risks, including the loss of invested funds and the effect of changing interest rates. The successful identification, monitoring and control of risk is, therefore, central to the Council's Treasury Management Strategy.

1.5 The Strategy requires the Council to receive and approve, as a minimum, the following treasury management reports each year, namely:

- The annual review of the Treasury Management Strategy incorporating prudential and treasury indicators;

- A mid-year treasury management report to update members on the progress of the capital position, the performance against approved prudential indicators as necessary and to advise if any policies require revision;

- An annual report of the treasury management activities, including the outturn position that compares actual performance to the estimates in the Strategy.

1.6 *Investments held for service purposes or for commercial profit are considered in a different report called the Investment Strategy which will also be considered by Cabinet on* ~~5~~ 3 February ~~2020~~ 2021 for onward approval by Council on ~~20~~ 23 February ~~2020~~ 2021.

2. POLICY OBJECTIVES

2.1 To set a balanced General Fund Revenue Budget in accordance with Section 33 of the Local Government Act 1992.

2.2 Having regard to affordability considerations manage the Council's long term debt. Variable rate and fixed rate borrowing and debt rescheduling will be considered as appropriate and as variations in interest rates occur.

2.3 To invest Council capital and revenue balances until they are used/spent in order that the Council gains investment income to help finance its annual revenue expenditure.

2.4 To keep within the Council's approved Treasury Management Policy and Practices.

2.5 The Council's primary objective in relation to its investments is to ensure that long term capital is not put at risk but that within acceptable risk parameters the portfolio is managed to ensure that interest is maximised. Liquidity is managed through the use of money market funds with additional access to the liquid PWLB and Local Authority borrowing market.

3. TREASURY MANAGEMENT POLICY STATEMENT

3.1 The Council's Treasury Management Policy Statement is as follows:

This statement relates to the management of the Council's 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.

The Council has arrangements in place to meet the statutory requirements relating to the Prudential Code for Capital Finance in Local Authorities.

The Council requires that the successful identification, monitoring and control of risk will be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

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 best value in treasury management and to employing suitable performance measurement techniques within the context of effective risk management.

The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

The Council's primary objective in relation to its investments is to ensure that long term capital is not put at risk but that within acceptable risk parameters the portfolio is managed to ensure that interest is maximised. Liquidity is managed through the use of money market funds with additional access to the liquid PWLB and Local Authority borrowing market.

The Council will have regard to Environmental, Social & Governance (ESG) considerations when monitoring performance and making investment decisions. As part of this the Council, as a responsible investor, will work with all Counterparties and Treasury Advisors to promote active ESG policies.

4. GOVERNANCE ARRANGEMENTS

4.1 The Audit and Corporate Governance Committee is responsible for monitoring treasury management activity and the Committee receives reports from the Section 151 Officer on treasury management policies and performance. The scrutiny and approval of the mid-term and annual treasury management reports is delegated to the Audit and Corporate Governance Committee.

4.2 Treasury management reports are required to be adequately scrutinised before being recommended to Council. The Treasury Management Strategy is scrutinised by the Overview and Scrutiny Committee alongside the Council's budget papers each financial year.

4.3 Members of these Committees are responsible for ensuring that they have the necessary skills and training to properly discharge their responsibilities in relation to the Council's treasury management function.

5. ROLE OF S151 OFFICER

5.1 The Head of Finance, as the designated Section 151 Officer, has delegated responsibility to implement and monitor the Treasury Management Policy Statement and Treasury Management Strategy approved by the Council.

5.2 All monies in the hands of the Council are controlled by the Head of Finance.

5.3 Decisions on borrowing, investment or financing are taken by the Head of Finance.

5.4 The Head of Finance is responsible for reporting to the Council on treasury management issues as set out in Section 1.5 above.

5.5 To ensure that members and officers with treasury management responsibilities have access to training relevant to their needs and responsibilities.

5.6 The Council has appointed a Treasury Management Advisor, Link Asset Services, to enable independent specialist advice to be obtained on all aspects of the treasury management function. This includes forecasts of the potential influence of interest rates on treasury management issues for the Council. A detailed economic and interest rate forecast provided by Link Asset Services is attached at **Annex A**.

6. CAPITAL FINANCING REQUIREMENT

6.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the use of capital or revenue resources (capital receipts, capital grants, developer contributions, revenue contributions, use of earmarked reserves etc.), which has no resultant impact on the Council's borrowing need, or;

- If insufficient financing is available for the investment, or a decision is taken not to apply other resources, the funding of capital expenditure will give rise to a borrowing need.

6.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. The proposed capital expenditure and how it will be financed is shown at **Annex B**.

6.3 As at 5 January 2021, the Council held £224 million of borrowing and £121 million of investments. The Council is committed to further short term borrowing of £25 million by year end. This portfolio is set out in further detail at **Annex B** with forecast changes in these sums are shown in the balance analysis in **Annex C.**

6.4 CIPFA's prudential code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CRF over the next three years. **Annex C** shows that the Authority expects to comply with the recommendation during ~~2020/2021~~ 2021/2022.

7. LIABILITY BENCHMARK

7.1 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing at **Annex D**. This assumes the same forecasts as **Annex C**, but that cash and investment balances are kept to a minimum level of £10 million at each year end to maintain sufficient liquidity but minimise credit risk.

8. BORROWING STRATEGY

8.1 The Council is permitted to borrow under the Prudential Framework, introduced with effect from 1 April 2004.

8.2 The Authority is forecast to hold £205.123 million of long-term loans with no scheduled repayments during the year. This represents the only debt currently held by the Council, relating to 41 loans from the PWLB for self-financing the Housing Revenue Account (HRA) taken out in 2012 and totalling £205.123 million.

8.3 Based on the Capital Programme approved at Council on ~~28 November 2019~~ 7 December 2020 it is anticipated that there will be some external borrowing for capital financing purposes during ~~2020/2021~~ 2021/2022. There may also from time to time be an operational cash flow need that requires short term borrowing to be taken. The Authority could borrow in addition to this to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £10 million.

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

8.5 In the event that external borrowing is undertaken the Council will be eligible to access funds at the PWLB Certainty Rate (that provides a 0.20% discount on loans).

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

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

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. The Council's treasury adviser will assist the Authority with this 'cost of carry' and breakeven analysis. This may determine whether the Authority borrows additional sums at long-term fixed rates in ~~2020/2021~~ 2021/2022 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Authority may arrange forward starting loans during ~~2020/2021~~ 2021/2022, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. In addition, the Authority may borrow short-term loans to cover unexpected cash flow shortages.

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

- Public Works Loan Board (PWLB) and any successor body.
- Any institution approved for investments (see below).
- Any other bank or building society authorised to operate in the UK;
- Any other UK public sector body;
- UK public and private sector pension funds;
- Municipal Bond Agency;
- Capital Market Bond Investors;
- Local Capital Finance Company and other special purpose companies created to enable local authority bond issues.

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

- Leasing;
- Hire purchase;
- Sale and leaseback.

The Council has previously raised the majority of its long-term borrowing from the PWLB, but it continues to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

8.9 **Municipal Bond Agency:** UK Municipal Bonds Agency was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for three reasons:

- Borrowing authorities may be required to provide bond investors to guarantee the risk that other local authority borrowers default on their loans.
- There will be a lead time of several months between committing to borrow and knowing the interest rate payable.
- Up to 5% of the loan proceeds will be withheld from the Authority and used to bolster the Agency's capital strength.

Any decision to borrow from the Agency will, therefore, be the subject of a separate report to Full Council.

8.10 **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 below.

8.11 **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.

8.12 **PWLB:** Due regard will be given to the prevailing rules in relation to local authority borrowing from the PWLB and, in particular, the impact of borrowing for the acquisition of commercial assets on the Council's wider borrowing requirements. Due regard will be given to the guidance published by HM Treasury on 25 November 2020 entitled, "Public Works Loan Board: future lending terms – Response to the consultation". The new borrowing rules restrict the ability of local authorities to borrow from PWLB for pure investment in commercial property.

As a condition of accessing the PWLB, Local Authorities must submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB. As part of this, the Head of Finance will need to confirm that there is no intention to buy investment assets primarily for yield at any point in the next three years. This assessment is based on their professional interpretation of guidance issued. When applying for a new loan, the Local Authority must confirm that the plans they have submitted remain current and provide assurance that they do not intend to buy investment assets primarily for yield.

If the Council intends to buy commercial assets primarily for yield (even by using reserves) then they will be prevented from taking any PWLB borrowing and will need to consider alternative sources of funding. It is not, therefore, permitted to reprofile the capital programme so that borrowing is only used on allowed projects, with internal borrowing used for commercial activities.

9. MINIMUM REVENUE PROVISION

9.1 Minimum Revenue Provision (MRP) is the revenue charge that the Council is required to make for the repayment of debt, as measured by the underlying need to borrow, rather than actual debt. The underlying debt is needed to finance capital expenditure which has not been fully financed by revenue or capital resources. As capital expenditure is generally expenditure on assets which have a life expectancy of over one year it is prudent to charge an amount for the repayment of debt over the life of the asset or some similar proxy figure.

9.2 The Local Authorities (Capital Finance and Accounting) regulations require local authorities to calculate for the financial year an amount of MRP which is considered to be 'prudent'.

9.3 There is no requirement to charge MRP where the Capital Financing Requirement (CFR) is nil or negative at the end of the preceding financial year.

9.4 The Housing Revenue Account share of the CFR is not subject to an MRP charge.

9.5 There is no requirement to make an MRP charge on an asset until the financial year after that asset becomes operational.

9.6 The Government has issued revised guidance (in January 2018) on the calculation of MRP. The Council is required to have regard to the guidance based on the underlying principle that the provision should be linked to the life of the assets for which the borrowing is required. However, the guidance is clear that differing approaches can be considered if the resulting provision is prudent.

9.7 In general, the Council will make an MRP based on the equal instalment method, amortising expenditure equally over the estimated useful life of the asset for which the borrowing is required. However, no provision will be made in respect of expenditure on specific projects where the Chief Financial Officer determines that receipts will be generated by the project to repay the debt.

9.8 Where a loan is made to a wholly owned subsidiary of the council, the loan is deemed to be secured on the assets of the company. Evidence of the ability to repay the loan will be based on the company's business plan and asset valuation, and no MRP will be made. The Council will review the loan and business plan annually, where there is evidence that suggests the full amount of the loan will not be repaid it will be necessary to reassess the charge to recover the impaired amounts from revenue.

9.9 Exceptionally, where capital expenditure is part of a loan agreement to other than a wholly owned subsidiary, the Council may register a fixed and floating charge over the counterparty assets to secure the Council's interest in the investment, or alternately an equity share interest in an asset with value.

9.10 The Council ~~has been pursuing~~ continues to pursue a programme of investment in commercial property using powers under S12 of the Local Government Act 2003. This is deemed capital expenditure and will be financed from cash balances and/or external borrowing as appropriate at the time. MRP will ordinarily be provided for using the useful life determinant with regard to maximum lives permitted in the revised MHCLG MRP guidance of 50 years for freehold land and 40 years for all other assets. MRP will be made on the purchase of these properties in the year following the year of purchase and will be set having regard to its annual valuation. The application of MRP will be adjusted to reflect the annual valuation of these properties and will be determined on a property by property basis.

9.11 The Council's MRP Policy is summarised at **Annex E**.

10. INVESTMENT STRATEGY

10.1 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the investment balance has ranged between £116.5 million and £87.3 million. These levels should be maintained in the forthcoming year, although it is expected that more will be invested in Ermine Street Housing and less in Banks and Building Societies.

10.2 **Objectives:** The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

The portfolio will target as a whole to achieve a return above the Bank of England Consumer Price Inflation (CPI) target in order to maintain the spending power of the sum invested. 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 rate of inflation, in order to maintain the spending power of the sum invested.

The Council will have regard to Environmental, Social & Governance (ESG) factors in decision making, particularly when considering long term strategy funds as these issues can have a material impact on the value of financial assets and on the long-term performance of investments and, therefore, should be considered to better manage risk and generate sustainable, long term returns. Well managed companies with strong governance are more likely to be successful long-term investments.

The Council will endeavour to be an active owner and steward of its investments, both internally and externally managed, by engaging with Fund Managers in relation to their ESG policies.

10.3 **Negative Interest Rates:** If the UK enters into a recession in 2021/2022, there is a chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

10.4 **Strategy:** To achieve the objective above the Council has set a target based on CPI inflation (November CPI is 0.3%). The target of 2% will ensure spending power of the sum invested is maintained. To achieve this target the Council will continue to lend to Ermine Street Housing, and spread other investments across approved counterparties as set out in **Annex G**. The Council will use Money Market Funds and Ultra Short Dated Bond Funds with limits of £10 million per entity to manage liquidity in low volatility price risk funds. The remaining funds will be assessed against the evolving cash flow outlook and invested in the approved counterparties.

10.5 **Business Model:** Under the IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Council aims to achieve value from its internally managed 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.

10.6 **Approved Counterparties:** The Authority may invest its surplus funds with any of the counterparty types in **Annex F**, subject to the cash limits (per counterparty) and the time limits shown. A more detailed breakdown of this can be seen in **Annex G**.

10.7 **Credit Rating:** Investment limits are set decisions and made by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

10.8 **Banks 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.

10.9 **Banks Secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they 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 highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

10.10 **Government:** Loans, 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 Central Government may be made in unlimited amounts for up to 50 years.

10.11 **Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made following an external credit or to the value of £1 million per company as part of a diversified pool in order to spread the risk widely.

10.12 **Registered Social Landlords (RSL's):** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and RSL's, formerly known as housing associations. These bodies are tightly 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, the likelihood of receiving government support if needed exists.

10.13 **Pooled Funds:** Shares or units in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short Term Money Market Funds that offer same-day liquidity and that offer very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

10.14 **Bond, equity and property funds:** Offers 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.

10.15 **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.

10.16 **Operational Bank Accounts:** The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will, therefore, be kept below £1 million per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

10.17 **Risk Assessment and Credit Ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisor, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

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

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced.

This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

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

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

10.19 **Investment Limits:** The revenue reserves available to cover investment losses are forecast to be ~~£14 million on 31 March 2020~~ £18 million on 31 March 2021. In order that available reserves will not be put at risk for unsecured investments in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £10 million per entity on unsecured investments.

A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as outlined in **Annex H.** Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

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

11. PRUDENTIAL INDICATORS

11.1 The Local Government Act 2003 requires the Authority to have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice.

11.2 To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year and these are identified in the separate Capital Strategy.

11.3 The following indicators are identified in the Capital Strategy:

(1) **Estimates of Capital Expenditure:** This indicator provides the level of gross capital expenditure that is estimated to be incurred. The estimated expenditure includes schemes where funding has already been approved.

(2) **Estimates of Capital Financing Requirement (CFR):** This indicator provides a limit for which net external borrowing will not be exceeded, except on a short-term basis.

(3) **Gross Debt and the CFR:** Statutory guidance is that debt should remain below the CFR, except in the short term.

(4) **Authorised Limit and the Operational Boundary for External Debt:** This determines the maximum total amount the Council will be able to borrow. The Operational Boundary indicator represents the prudent level of borrowing and will be reviewed annually.

(5) **Proportion of Financing Costs to Net Revenue Stream:** This indicator provides the ratio of financing costs to the Council's estimated net revenue expenditure (i.e. the expenditure financed by the revenue support grant, business rate redistribution, council tax and collection fund surplus share).

12. TREASURY MANAGEMENT INDICATORS

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

A. Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. The Authority minimises it risk to interest rate changes by undertaking all borrowing in fixed rate products such as PWLB or short term Local Authority loans.

B. 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	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	30%	0%
5 years and within 10 years	30%	0%
10 years and within 20 years	40%	0%
20 years and within 30 years	60%	0%
30 years and above	100%	20%

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.

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

Price Risk Indicator	2021/2022	2022/2023	2023/2024
Limit on principal invested before year end	£10 million	£5 million	£3 million

D: Security: The Authority generally but not exclusively follows the guidance provided by its Advisers on the selection of Counterparties and duration of investments. The Advisers provide a Weighted Average Credit Risk score at the end of each month for the investment portfolio as part of its benchmarking service.

The lower the score calculated indicates a lower credit risk has been taken by the Council for its internal investments. The Council aims to perform at a level less than or equal to the target:

Link Credit Risk Indicator	Target
Portfolios weighted average risk number	< 5.0

E: Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

Liquidity Risk Indicator	Target
Total cash available within 3 months	£10 million

F: Yield: The Authority, in order to maintain the spending power of the money it invests, has adopted a voluntary yield target for the portfolio of the Bank of England Consumer Price Inflation (CPI) target. This will be also be measured against year on year CPI Inflation as part of the Annual Review.

Inflation Risk Indicator	**Target**
Minimum Yield on Portfolio	2%

13. OTHER ITEMS

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

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

The Authority does not use Financial Derivatives and does not expect to use these in ~~2020/2021~~ 2021/2022. The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transaction, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

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

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

14. OTHER OPTIONS CONSIDERED

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

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

15. GLOSSARY OF TERMS

A glossary of terms and abbreviations used in Treasury Management is available at Annex I.

Annex A

Treasury Management Adviser:
Economic & Interest Rate Forecast as at January 2021

ECONOMIC BACKGROUND

- As expected, the Bank of England's Monetary Policy Committee kept Bank Rate unchanged on 6th August. It also kept unchanged the level of quantitative easing at £745bn. Its forecasts were optimistic in terms of three areas:

    - The fall in **GDP** in the first half of 2020 was revised from 28% to 23% (subsequently revised to -21.8%). This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services – an area which was particularly vulnerable to being damaged by lockdown.
    - The peak in the **unemployment rate** was revised down from 9% in Q2 to 7½% by Q4 2020.
    - It forecast that there would be excess demand in the economy by Q3 2022 causing CPI **inflation** to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy). Nevertheless, even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.

- It also squashed any idea of using **negative interest rates**, at least in the next six months or so. It suggested that while negative rates can work in some circumstances, it would be "less effective as a tool to stimulate the economy" at this time when banks are worried about future loan losses. It also has "other instruments available", including QE and the use of forward guidance.

- The MPC expected the £300bn of **quantitative easing** purchases announced between its March and June meetings to continue until the "turn of the year". This implies that the pace of purchases will slow further to about £4bn a week, down from £14bn a week at the height of the crisis and £7bn more recently.

- In conclusion, this would indicate that the Bank could now just sit on its hands as the economy was recovering better than expected. However, the MPC acknowledged that the "medium-term projections were a less informative guide than usual" and the minutes had multiple references to **downside risks,** which were judged to persist both in the short and medium term. One has only to look at the way in which second waves of the virus are now impacting many countries including Britain, to see the dangers. However, rather than a national lockdown, as in March, any spikes in virus infections are now likely to be dealt with by localised measures and this should limit the amount of economic damage caused. In addition, Brexit uncertainties ahead of the year-end deadline are likely to be a drag on recovery. The wind down of the initial generous furlough scheme through to the end of October is another development that could cause the Bank to review the need for more support for the economy later in the year. Admittedly, the Chancellor announced in late September a second six month package from 1st November of government support for jobs whereby it will pay up to 22% of the costs of retaining an employee working a minimum of one third of their normal hours. There was further help for the self-employed, freelancers and the hospitality industry. However, this is a much less generous scheme than the furlough package and will inevitably mean there will be further job losses from the 11% of the workforce still on furlough in mid September.

- Overall, **the pace of recovery** is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one after a sharp recovery in June through to August which left the economy 11.7% smaller than in February. The last three months of 2020 are now likely to show no growth as consumers will probably remain cautious in spending and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year will also be a headwind. If the Bank felt it did need to provide further support to recovery, then it is likely that the tool of choice would be more QE.

- There will be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown up how vulnerable long-distance supply chains are. On the other hand, digital services is one area that has already seen huge growth.

- One key addition to **the Bank's forward guidance** was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate.

- The **Financial Policy Committee** (FPC) report on 6th August revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

- **US.** The incoming sets of data during the first week of August were almost universally stronger than expected. With the number of new daily coronavirus infections beginning to abate, recovery from its contraction this year of 10.2% should continue over the coming months and employment growth should also pick up again. However, growth will be dampened by continuing outbreaks of the virus in some states leading to fresh localised restrictions. At its end of August meeting, the Fed tweaked **its inflation target** from 2% to maintaining an average of 2% over an unspecified time period i.e. following periods when inflation has been running persistently below 2%, appropriate monetary policy will likely aim to achieve inflation moderately above 2% for some time. This change is aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade so financial markets took note that higher levels of inflation are likely to be in the pipeline; long term bond yields duly rose after the meeting. The Fed also called on Congress to end its political disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to more directed central government fiscal policy. The FOMC's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

- **EU.** The economy was recovering well towards the end of Q2 after a sharp drop in GDP, (e.g. France 18.9%, Italy 17.6%). However, the second wave of the virus affecting some countries could cause a significant slowdown in the pace of recovery, especially in countries more dependent on tourism. The fiscal support package, eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support and quickly enough to make an appreciable difference in weaker countries. The ECB has been struggling to get inflation up to its 2% target and it is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support.

- **China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and has enabled it to recover all of the contraction in Q1. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

- **Japan.** There are some concerns that a second wave of the virus is gaining momentum and could dampen economic recovery from its contraction of 8.5% in GDP. It has been struggling to get out of a deflation trap for many years and to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. The resignation of Prime Minister Abe is not expected to result in any significant change in economic policy.

- **World growth.** Latin America and India are currently hotspots for virus infections. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the Coronavirus crisis.

INTEREST RATE FORECASTS 2020 - 2023

The Council's treasury advisor, Link Group, provided the following forecasts on 11th August 2020 (PWLB rates are certainty rates, gilt yields plus 180bps):

Link Group Interest Rate View 11.8.20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month average earnings	0.05	0.05	0.05	0.05	0.05	-	-	-	-	-
6 month average earnings	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
12 month average earnings	0.15	0.15	0.15	0.15	0.15	-	-	-	-	-
5yr PWLB Rate	1.90	2.00	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50

Additional notes by Link on this forecast table:

- Please note that Link have made a slight change to our interest rate forecasts table above for forecasts for 3, 6 and 12 months. Traditionally, Link have used LIBID forecasts, with the rate calculated using market convention of 1/8th (0.125%) taken off the LIBOR figure. Given that all LIBOR rates up to 6 months are currently running below 0.1%, using that convention would give negative figures as forecasts for those periods. However, the liquidity premium that is still in evidence at the short end of the curve, means that the rates actually being achieved by local authority investors are still modestly in positive territory. While there are differences between counterparty offer rates, our analysis would suggest that an average rate of around 0.05% is achievable for 3 months, 0.1% for 6 months and 0.15% for 12 months.

- During 2021, Link will be continuing to look at market developments in this area and will monitor these with a view to communicating with clients when full financial market agreement is reached on how to replace LIBOR. This is likely to be an iteration of the overnight SONIA rate and the use of compounded rates and Overnight Index Swap (OIS) rates for forecasting purposes.

- If clients require forecasts for 3 months to 12 months beyond the end of 2021, a temporary fix would be to assume no change in our current forecasts. Link will maintain continuity by providing clients with LIBID investment benchmark rates on the current basis.

The Coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its meeting on 6th August (and the subsequent September meeting), although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2023 as economic recovery is expected to be only gradual and, therefore, prolonged.

GILT YIELDS / PWLB RATES. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the Coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

Gilt yields had therefore already been on a generally falling trend up until the Coronavirus crisis hit western economies during March. After gilt yields spiked up during the initial phases of the health crisis in March, we have seen these yields fall sharply to unprecedented lows as major western central banks took rapid action to deal with excessive stress in financial markets, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply. At the close of the day on 30th September, all gilt yields from 1 to 6 years were in negative territory, while even 25-year yields were at only 0.76% and 50 year at 0.60%.

From the local authority borrowing perspective, HM Treasury imposed **two changes of margins over gilt yields for PWLB rates** in 2019-20 without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then at least partially reversed for some forms of borrowing on 11th March 2020, but not for mainstream General Fund capital schemes, at the same time as the Government announced in the Budget a programme of increased infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this was to end on 4th June, but that date was subsequently put back to 31st July. It is clear HM Treasury will no longer allow local authorities to borrow money from the PWLB to purchase commercial property if the aim is solely to generate an income stream (assets for yield).

Following the changes on 11th March 2020 in margins over gilt yields, the current situation is as follows: -

- **PWLB Standard Rate** is gilt plus 200 basis points (G+200bps)
- **PWLB Certainty Rate** is gilt plus 180 basis points (G+180bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

It is possible that the non-HRA Certainty Rate will be subject to revision downwards after the conclusion of the PWLB consultation; however, the timing of such a change is currently an unknown, although it would be likely to be within the current financial year.

As the interest forecast table for PWLB certainty rates, (gilts plus 180bps), above shows, there is likely to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the Coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020/21.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably relatively even, but is subject to major uncertainty due to the virus.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **UK** - second nationwide wave of virus infections requiring a national lockdown
- **UK / EU trade negotiations** – if it were to cause significant economic disruption and a fresh major downturn in the rate of growth.
- **UK - Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.** The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for “weaker” countries. In addition, the EU recently agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next year or so. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU.
- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021.** In the German general election of September 2017, Angela Merkel’s CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.

- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been a rise in anti-immigration sentiment in Germany and France.
- **Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.
- **US – the Presidential election in 2020:** this could have repercussions for the US economy and SINO-US trade relations.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **UK -** stronger than currently expected recovery in UK economy.
- **Post-Brexit** – if an agreement was reached that removed the majority of threats of economic disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

Annex B

Capital Programme & Financing: 7 December 2020

£'000	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Capital expenditure:					
General Fund	28,166	57,072	106,301	75,859	82,716
HRA	22,647	20,748	29,939	22,615	17,785
Third Party Loans - ESH	12,991	13,824	3,288	-	-
Third Party Loans - Other	1,145	-	-	-	-
Total Capital Expenditure	**64,949**	**91,644**	**139,528**	**98,474**	**100,501**
Resourced By:					
Capital Receipts	(5,222)	(4,926)	(9,437)	(8,082)	(5,690)
Other Contributions	(20,191)	(28,894)	(27,803)	(19,392)	(25,811)
Total Available Resource for Capital Financing	**(25,413)**	**(33,820)**	**(37,240)**	**(27,474)**	**(31,501)**
Unfinanced Capital Expenditure	**39,536**	**57,824**	**102,288**	**71,000**	**69,000**

Actual Portfolio: 5 January 2021

	Actual Portfolio £m
External borrowing:	
Public Works Loan Board	205.1
Local Authorities	19
LOBO loans from banks	Nil
Total external borrowing	**224.1**
Other long-term liabilities:	
Finance Leases	Nil
Total other long-term liabilities	**Nil**
Total gross external debt	**224.1**
Treasury investments:	
Banks & building societies (unsecured)	32.3
Ermine Street Housing	80.8
Government (incl. local authorities)	Nil
Money Market Funds	Nil
Registered Social Landlords	5
Cambridge Leisure and Ice Centre	2.4
Total treasury investments	**120.5**
Net debt	**103.6**

Note: all values are on a principal/nominal basis

Annex C

Medium Term Forecasts: 7 December 2020

	31.3.2020 Actual £m	31.3.2021 Estimate £m	31.3.2022 Forecast £m	31.3.2023 Forecast £m	31.3.2024 Forecast £m
General Fund CFR	309.0	366.8	469.1	540.1	609.1
Less: Other debt liabilities					
Loans CFR	309.0	366.8	469.1	540.1	609.1
Less: External Borrowing	215.1	253.6	337.7	407.2	475.7
Internal (over) borrowing	93.9	82.2	86.0	97.3	99.7
Usable Reserves	68.2	65.0	61.7	58.6	55.4
Working Capital	35.8	26.8	27.0	27.2	27.4
Investments	10.0	10.0	7.0	7.0	7.0

Projections are based on the latest Capital Programme to be submitted to Full Council on 23 February 2021

Annex D

Liability Benchmark

	31.3.2019 Actual £m	31.3.2020 Estimate £m	31.3.2021 Forecast £m	31.3.2022 Forecast £m	31.3.2023 Forecast £m
Loans CFR	309.0	366.8	469.1	540.1	609.1
Less: Usable reserves	68.2	65.0	61.7	58.6	55.4
Less: Working Capital	35.8	26.8	27.0	27.2	27.4
Plus: Minimum investments	10	10	7	7	7
Liability Benchmark	195.0	265.0	373.4	447.3	519.3

Minimum Revenue Provision Policy

1.1 Local Authorities are required to charge to their revenue account each year a Minimum Revenue Provision (MRP) in relation to capital spend that has yet to be financed, i.e. borrowing. The Capital Financing Requirement (CFR) reflects the underlying need to borrow to finance capital expenditure.

1.2 The MRP should be prudent and, although it is for each authority to determine the amount, the published guidance by the Government is that "local authorities should align the period over which they charge MRP to one that is commensurate with the period over which their capital expenditure provides benefits".

1.3 The MRP policy is set out below:

(1) There is no requirement to charge MRP where the CFR is nil or negative at the end of the preceding financial year.

(2) The Housing Revenue Account share of the CFR is not subject to an MRP charge.

(3) There is no requirement to make an MRP charge on an asset until the financial year after that asset becomes operational.

(4) For capital expenditure expected to be financed by borrowing between 1 April 2020 and 31 March 2025, the MRP will be based on a straight-line basis, using equal annual instalments over the average estimated life of the assets for which borrowing is required. However, no provision will be made in respect of expenditure on specific projects where the Chief Financial Officer determines that receipts will be generated by the project to repay the debt.

(5) Investment in commercial property is deemed capital expenditure and will be financed from cash balances and/or external borrowing as appropriate at the time. There is a requirement for these investments to clearly demonstrate security, liquidity and yield and these factors will influence the applicability of MRP. MRP will ordinarily be provided for using the useful life determinant with regard to maximum lives permitted in the revised MHCLG MRP guidance of 50 years for freehold land and 40 years for all other assets. MRP will be made on the purchase of these properties in the year following the year of purchase and will be set having regard to its annual valuation. The application of MRP will be adjusted to reflect the annual valuation of Investment properties and will be determined on a property by property basis; an increase in the valuation of a property that results in revaluation gains in the Council's Capital Adjustment Account will result in a corresponding reduction in MRP whilst, conversely, falling valuations may result in voluntary increases in MRP to ensure that the authority is retaining increasing equity in the property.

(6) Investments in Council Wholly Owned Companies, in the form of borrowing or equity, will be assessed on an investment by investment basis. The general assumption is that the loan is deemed to be secured on the assets of the company such that the net value of the assets held by the company will be sufficient to repay any borrowings invested. Advances to the company will be met by loan repayments, treated as a deferred capital receipt, so over time there is no impact on the CPR and, therefore, no MRP needs to be charged. The Council will review the loan and business plan annually and, where there is evidence that suggests the full amount of the loan will not be repaid, it will be necessary to reassess the charge to recover the impaired amounts from revenue. MRP in relation to equity will be provided for over 20 years in line with CIPFA guidance.

(7) Exceptionally, where capital expenditure is part of a loan agreement to other than a wholly owned subsidiary, the Council may register a fixed and floating charge over the counterparty assets to secure the Council's interest in the investment, or alternately an equity share interest in an asset with value.

Annex F

Approved Investment Counterparties and Limits

Counterparty	Minimum Short Term Rating	Minimum Long Term Rating	Maximum Duration	Suggested Duration
UK Government	N/A	N/A	Unlimited	N/A
UK Clearing Banks	Moody's P-2 Or equivalent	Moody's A3 Or equivalent	5 years	Provided by Link
Other Banks	Moody's P-2 Or equivalent	Moody's A3 Or equivalent	5 years	Provided by Link
UK Building Societies	Moody's P-2 Or equivalent	Moody's A3 Or equivalent	5 years	Provided by Link
Registered Social Landlords	Moody's P-2 Or equivalent	Moody's A3 Or equivalent	5 years	Provided by Link
Local Authorities	N/A	N/A	5 years	N/A
MMF's and USDBF's	AAA	N/A	MMF's: T+0 USDBF's: T+3	Liquidity Funds

Approved Investment Counterparties: Detailed List

The full listing of approved counterparties is shown below, showing the category under which the counterparty has been approved, the appropriate deposit limit and current duration limits. These counterparties have also been shown under Specified and Non-Specified Investments (in line with MHCLG Guidance).

Name	Council's Current Deposit Period	Category	Limit (£)
Specified Investments:			
All UK Local Authorities	N/A	Local Authority	10m
All UK Police Authorities	N/A	Police Authority	10m
All UK Fire Authorities	N/A	Fire Authority	10m
Debt Management Account Deposit Facility	N/A	DMADF	Unlimited
Barclays Bank Plc	Using Link Asset Services Credit Criteria	UK Bank	10m
HSBC Bank Plc	Using Link Asset Services Credit Criteria	UK Bank	10m
Lloyds Bank Plc	Using Link Asset Services Credit Criteria	UK Bank	10m
Santander UK Plc	Using Link Asset Services Credit Criteria	UK Bank	10m
Other UK Retail & Clearing Banks	Using Link Asset Services Credit Criteria	UK Banks	10m
Subsidiaries of UK Banks (provided the subsidiaries are UK-incorporated deposit takers under the Financial Services and Markets Act 2000 and provided loans are for a maximum period of three months)	Using Link Asset Services Credit Criteria	UK Banks	3m

Places for People Homes Ltd	Using Link Asset Services Credit Criteria	Registered Housing Association	5m
Close Brothers Ltd	Using Link Asset Services Credit Criteria	UK Retail Bank	5m

Name	Council's Current Deposit Period	Category	Limit (£)
Ultra-Short Dated Bond Funds: Aberdeen Standard Life Other providers where approved by Head of Finance	Liquid Rolling Balance	Financial Instrument	10m (per fund)

Name	Council's Current Deposit Period	Category	Limit (£)
Money Market Funds: HSBC GLF MMF Aberdeen Standard Life Deutsche GLS Barclays Call Account Other MMF's where approved by Head of Finance	Liquid Rolling Balance	Financial Instrument	10m (per fund)

Name	Council's Current Deposit Period	Society Asset Value (£'m) As at December 18	Limit (£)
Other Specified Investments - UK Building Societies: -			
Nationwide Building Society	Using Link Asset Services Credit Criteria	236,035 (Apr 19)	Assets greater than £10,000m **Limit - £10m** Assets between £10,000m and £5,000m **Limit - £5m** Assets between £5,000m and £1,500m Limit **- £3m**
Yorkshire Building Society		50,417	
Coventry Building Society		45,446	
Skipton Building Society		21,638	
Leeds Building Society		19,643	
Principality Building Society		9,502	
West Bromwich Building Society		5,552 (Mar 2019)	

Name	Council's Current Deposit Period	Category	Limit (£)
Non-Specified Investments: -			
All UK Local Authorities – longer term limit	Over 1 year and up to 5 years	Local Authority	10m per single counterparty
CCLA Local Authorities' Property Fund	Minimum of 5 years	Pooled UK Property Fund	Up to 10m
South Cambs Ltd - Housing Co.	Up to 5 years	Loan	107m
UK Municipal Bonds Agency	N/A	Share Capital	0.050m
Cambridge Leisure and Ice Centre	25 Years	Loan	2.4m

Limits on Investment Per Sector

	Cash limit
Any single organisation, except the UK Central Government	£10million each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£10million per group
Foreign countries	£5million per country
Registered providers and registered social landlords	£5million each
Unsecured investments with building societies	£10million each
Loans to unrated corporates	£5million in total
Money market funds	£30million in total
Real estate investment trusts	£5million in total

Annex I

Treasury Management: Glossary of Terms and Abbreviations

Term	Definition
Authorised Limit for External Borrowing	Represents a control on the maximum level of borrowing
Capital Expenditure	Expenditure capitalised in accordance with regulations i.e. material expenditure either by Government Directive or on capital assets, such as land and buildings, owned by the Council (as opposed to revenue expenditure which is on day to day items including employees' pay, premises costs and supplies and services)
Capital Financing Requirement	A measure of the Council's underlying borrowing need i.e. it represents the total historical outstanding capital expenditure which has not been paid for from either revenue or capital resources
Certificates of Deposit (CDs)	Low risk certificates issued by banks which offer a higher rate of return
CIPFA	Chartered Institute of Public Finance and Accountancy
Corporate Bonds	Financial instruments issued by corporations
Counterparties	Financial Institutions with which funds may be placed
Credit Risk	Risk of borrower defaulting on any type of debt by failing to make payments which it is obligated to do
MHCLG	Ministry for Housing, Communities & Local Government (formerly the Department for Communities & Local Government, DCLG)
Enhanced Cash Funds	Higher yielding funds typically for investments exceeding 3 months
Eurocurrency	Currency deposited by national governments or corporations in banks outside of their home market
External Gross Debt	Long-term liabilities including Private Finance Initiatives and Finance Leases
Government CNAV	Highly liquid sovereign stock based on a Constant Net Asset Value (CNAV)
HRA	Housing Revenue Account - a 'ring-fenced' account for local authority housing account where a council acts as landlord
HRA Self-Financing	A new funding regime for the HRA introduced in place of the previous annual subsidy system
London Interbank Offered Rate (LIBOR)	A benchmark rate that some of the leading banks charge each other for short-term loans

Term	Definition
London Interbank Bid Rate (LIBID)	The average interest rate which major London banks borrow Eurocurrency deposits from other banks
Liquidity	A measure of how readily available a deposit is
MPC	Monetary Policy Committee - The Bank of England Committee responsible for setting the UK's bank base rate
Low Volatility Net Asset Value (LVNAV)	Highly liquid sovereign stock based on a Constant Net Asset Value (CNAV)
Non-Ring-Fenced Bank (NRFB)	Government & Bank of England rules will apply to all UK Banks which have to split their business into 'core' retail and investment units known as Ring and Non-Ring Fenced Banks for the 1st January 2019 deadline
Non-Specified Investments	These are investments that do not meet the conditions laid down for Specified Investments and potentially carry additional risk, e.g. lending for periods beyond 1 year
Operational Boundary	Limit which external borrowing is not normally expected to exceed
PWLB	Public Works Loans Board - an Executive Government Agency of HM Treasury from which local authorities & other prescribed bodies may borrow at favourable interest rates
Ring Fenced Bank (RFB)	Government & Bank of England rules will apply to all UK Banks which have to split their business into 'core' retail and investment units known as Ring and Non-Ring Fenced Banks for the 1st January 2019 deadline
Security	A measure of the creditworthiness of a counter-party
Specified Investments	Those investments identified as offering high security and liquidity. They are also sterling denominated, with maturities up to a maximum of 1 year, meeting the minimum 'high' credit rating criteria where applicable
Supranational Bonds	Multi-lateral Development Bank Bond
UK Government Gilts	Longer-term Government securities with maturities over 6 months and up to 30 years
Variable Net Asset Value (VNAV)	MMFs values based on daily market fluctuations to 2 decimal places known as mark-to-market prices
UK Government Treasury Bills	Short-term securities with a maximum maturity of 6 months issued by HM Treasury
Weighted Average Life (WAL)	Weighted average length of time of unpaid principal
Weighted Average Maturity (WAM)	Weighted average amount of time to maturity
Yield	Interest, or rate of return, on an investment

South Cambridgeshire District Council

REPORT TO:	Scrutiny & Overview Committee	19 January 2021
LEAD CABINET MEMBER:	Councillor John Williams, Lead Cabinet Member for Finance	
LEAD OFFICER:	Peter Maddock, Head of Finance	

Capital Strategy

Executive Summary

1. To undertake the annual review of the Capital Strategy and to consider a refreshed version of the Capital Strategy for adoption by the Council.

2. This is a key decision as the report seeks to establish a strategy that is designed to set the policy framework for the development, management and monitoring of all capital investment and the prioritisation of the Council's capital resources.

Recommendation

3. **The Scrutiny & Overview Committee is requested to consider and comment on the report that invites Cabinet, at its meeting on 3 February 2021, to recommend to Full Council (i) the updated Capital Strategy attached at Appendix A which sets the policy framework for the development, management and monitoring of capital investment, and (ii) Prudential Indicators.**

Reason for Recommendation

4. To establish and approve an updated Capital Strategy that complies with CIPFA's revised Prudential Code for Capital Finance in Local Authorities (2017 edition) and Prudential Code Guidance Notes for Practitioners (2018 edition), CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2017 edition), and revised Statutory Guidance on Local Government Investments (3rd Edition) issued in February 2018.

Details

Background

5. The Capital Strategy outlines the Council's approach to capital investment and seeks to ensure that it maximises the contribution of the Council's limited capital resources to priority areas. It also recognises the need to deliver value for money.

6. The revised Prudential Code (2017 edition) introduced a new requirement for Local Authorities to have an annually approved Capital Strategy and, as such, it is reviewed on an annual basis to reflect the changing needs, priorities and circumstances of the Council. The review has also sought to ensure that the Capital Strategy reflects the requirements of the Prudential Code.

7. The Prudential Code requirements include:

- greater focus on the Local Authorities' approach to commercial investment activities, including processes ensuring effective due diligence and defining risk appetite including proportionality in respect of overall resources;
- a requirement that the Capital Strategy is written in plain English and that it is concise enough to be read and understood by elected members that are not financial specialists;
- a recommendation that the Capital Strategy includes the authorised limit and operational boundary indicators as well as other relevant prudential indicators;
- a summary of the knowledge and skills available to the Council and confirmation that these are commensurate with the Council's risk appetite.

Capital Strategy

8. The intention of the Prudential Code is to have an overarching document which sets the policy framework for the development, management and monitoring of all capital investment. The Strategy focuses on core principles that underpin the capital programme, the key issues and risks, and the governance framework required to ensure the capital programme is delivered and provides value for money.

9. The Capital Strategy was fully reviewed and refreshed as part of the 2020/2021 budget setting process having regard to established guidance and best practice and an updated version, reproduced at **Appendix A** was approved by Council for adoption at its meeting on 20 February 2020.

10. In reviewing the Capital Strategy, the following guiding principles continue to be applied as these underpin the strategy and approach:

(a) The Council complies with the requirements of the Prudential Code when considering its capital investment requirements, linking this with the revenue budget. Compliance with the Prudential Code ensures that proposed investment is prudent, sustainable and affordable.

(b) Capital schemes are prioritised and that the forward capital programme only includes schemes that can be funded from approved borrowing levels, revenue contributions, grants and available and projected capital receipts during the life of the programme;

(c) Capital investment requirements are considered in the context of a sustainable revenue budget and, as such, the revenue implications of proposed schemes are fully considered, including positive contributions from “invest to save” schemes;

(d) Endeavours will be made to support revenue contributions to capital expenditure to ensure that funding is available for essential ongoing investment needs. Asset maintenance (property) and replacement equipment (ICT and vehicles) will be fully funded depreciating assets from revenue, subject to affordability;

(e) Capital projects will be selected via an agreed capital project approval framework, incorporating a robust capital appraisal and feasibility process, and having full regard to affordability. Effective arrangements will be established for monitoring project deliverability, project outcomes and the achievement of value for money.

11. The review has included a light touch review of the strategy by Chris Brain Associates to provide independent assurance to the Council that it remains fit for purpose and compliant. The review has confirmed that the existing strategy is compliant with best practice guidelines and that it follows the CIPFA model and, as such, provides an overarching document covering capital expenditure, financing and treasury management having regard to risks and rewards and impact on priority outcomes. The external review, together with other known changes, has identified the need for some minor updates to the Capital Strategy as follows:

- incorporation of the new Leasing Accounting Standard (IFRS 16) which requires lease and rental agreements to be recognised on the Council’s Balance Sheet as both an asset and a liability (see Prudential Indicator 4 at **Annex A** of the Capital Strategy).

- the annual review and update of the range of Prudential Indicators that are identified in the adopted Strategy at **Annex A**.

- to ensure that the outcome of the consultation by HM Treasury on changes to the rules for accessing borrowing from the Public Works Loans Board (PWLB) for investment in commercial property is taken into account. This has also been considered as part of the annual review of the Treasury Management Strategy (see separate report on the agenda).

- changes to reflect the time period of the updated Strategy and minor designation variations.

- to highlight the importance of the Council’s capital investment plans to the ongoing financial resilience of the authority (given the key objective of the separate Investment Strategy to invest in commercial assets to achieve a positive financial return) as well as the achievement of key corporate objectives, particularly in relation to the climate emergency and housing.

- to provide context for the increases in the value of national indicators for capital expenditure, capital financing requirement and debt expenditure given the significant income contributions to the revenue budget.

- to highlight the use of asset condition assessments to inform the identification of capital replacements within the capital programme.

12. The Medium-Term Financial Strategy (MTFS) identifies that an annual review of the Capital Programme will be undertaken and that, in doing so, full regard will be given to the Prudential Indicators before any proposals/decisions are made in respect of a revised programme. The range of Prudential Indicators to be adopted is summarised at **Annex A** to the revised Capital Strategy.

13. An updated version of the Capital Strategy is attached at **Appendix A** with the proposed changes to the current version of the Strategy, approved on 20 February 2020, identified in red and crossed through text.

Investment Strategy

14. In addition to the Capital Strategy, the Council is now required to have a separately approved Investment Strategy. Guidance requires the Strategy to be approved by Full Council on an annual basis and, moreover, that any mid-year material changes to the Strategy must also be subject to Full Council approval.

15. Council approved a revised Investment Strategy at its meeting on 28 November 2019 and a separate report is included on the agenda following its annual review.

Treasury Management Strategy

16. The Council also has a separate Treasury Management Strategy covering treasury investments and borrowing and this is subject to review on an annual basis. A separate report is included on the agenda following the annual review.

Options

17. The option of not adopting the revised Capital Strategy is not considered to be appropriate. Local authorities are accountable to their communities for how they spend their money and for ensuring that this spending is prioritised and represents value for money. Local politicians and officers operate within local governance frameworks of checks and balances to ensure that decision-making is lawful, informed by objective advice, transparent and consultative.

18. Good governance requires that proper arrangements need to be in place to ensure that an authority's intended objectives are achieved and establishing a policy framework for the development, management and monitoring of all capital investment and the prioritisation of the Council's capital resources must be a key commitment to ensure that authorities remain financially sustainable and respond efficiently and effectively to service needs.

Implications

19. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

Policy

20. The Capital Strategy is one of the fundamental resource management strategies of the Council which should be reviewed annually to determine its ongoing appropriateness in relation to the capital control framework. The Capital Strategy provides the framework for:

- considering bids for inclusion in the Capital Programme;
- maximising and allocating the finance available for investment;
- determining the Council's capital investment priorities;
- achieving Value for Money from capital schemes;
- ensuring an ongoing review process;
- enabling the implementation process of approved schemes;
- partnership working;
- cross cutting issues;
- performance measurement;
- Minimum Revenue Provision.

Legal

21. The Local Authorities (Capital Finance and Accounting) Regulations 2003 provides operational detail and specifically states that Authorities must have regard to CIPFA's Prudential Code when setting and reviewing borrowing limits. Local Authorities must also have regard to the Investment Guidance issued by Secretary of State under section 15(1)(a) of the Local Government Act 2003.

Financial

22. The Capital Strategy sets out how the Council determines its capital investment priorities in particular in relation to corporate priorities taking into account the capital resources available including borrowing in line with the Council's approved Prudential Indicators. There are no additional resource requirements as a result of the Capital Strategy, but it does provide the framework for assessing and prioritising the use of the Council's limited capital resources.

Risk

23. The purpose of the Capital Strategy is to provide a key financial planning and resource management tool for the Council. An effective strategy for capital investment provides a framework for eliminating the risk of approving schemes which:

- are not affordable in either capital or ongoing revenue terms;
- do not meet legal obligations or the Council's key stated priorities.

Environmental

24. There are no environmental implications arising directly from the report. The environmental impacts of each capital scheme are considered as part of the implementation stage of a specific project.

Equality Analysis

25. In preparing this report, due consideration has been given to the Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010.

26. It is considered that the report has no relevance to the Council's statutory equality duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relation. An equality analysis is not needed. Individual capital bids may, however, have specific equality impacts that need to be considered and evaluated.

Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information)
(England) Regulations 2012 require documents to be open to inspection by members of the
public, they must be available for inspection:

(a) at all reasonable hours at the offices of South Cambridgeshire District Council;
(b) on the Council's website; and
(c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- Investment Strategy – Report to Council: 28 November 2019
- Medium Term Financial Strategy – Report to Cabinet: 4 December 2019
- General Fund Budget Report – Report to Cabinet: 5 February 2020

- General Fund Budget Report – Report to Council: 20 February 2020
- Business Plan 2020/2025 – Report to Cabinet: 5 February 2020
- General Fund Budget – Report to Council: 20 February 2020
- HM Treasury Document entitled "Public Works Loan Board: future lending terms – Response to the consultation" issued on 25 November 2020.

Appendices

A Capital Strategy

Report Authors: Peter Maddock – Head of Finance
e-mail: peter.maddock@scambs.gov.uk

APPENDIX A

Capital Strategy

FEBRUARY ~~2020~~ 2021

Councillor John Williams
Lead Member for Finance

Peter Maddock
Head of Finance

1. Introduction

The Capital Strategy forms a part of the Council's overall corporate planning framework. It provides the mechanism by which the Council's capital investment and financing decisions can be aligned with the Council's overarching corporate priorities and objectives over a medium term, five year, planning horizon.

It sets the framework for all aspects of the Council's capital expenditure; including planning, prioritisation, funding, management and monitoring. The strategy has direct links to the Corporate Asset Plan (CAP) and Housing Revenue Account (HRA) Asset Management Plan and forms a key part of the Council's Medium Term Financial Strategy (MTFS).

The Capital Strategy includes sufficient detail to allow Members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured and how this meets legislative requirements on reporting.

2. Strategic Aims

2.1 The Council's long term vision is set out in the ~~2019-24~~ 2020-2025 Business Plan in which four themes guide the approach, each focussed on enhancing South Cambridgeshire as a place where people, communities, businesses can grow and realise their potential.

2.2 The ~~2019-24~~ 2020-2025 Business Plan is seen as an overarching document that links individual Service Plans and Council Strategies, including the Capital Strategy. The Capital Strategy supports the achievement of the Council's vision through investment in the assets the Council owns, the delivery of key infrastructure to support growth and improvement in services, and through improvements to the services and systems that the Council utilises. The key aims of the Capital Strategy are to:

- Provide a clear context within which proposals for new capital expenditure are evaluated to ensure that all capital investment is targeted at meeting the Council's vision, aims, approaches and actions;
- Deliver projects that focus on delivering revenue benefits in the form of spend to save, spend to earn or generate growth in revenue income;
- Set out how the council identifies, programmes and prioritises capital requirements and proposals arising from the Business Plan, Service Plans, CAP and other related strategies;
- Consider options available for funding capital expenditure and how resources may be maximised, to generate investment in the area, to determine an affordable and sustainable funding policy framework whilst minimising the ongoing revenue implications of any such investment;
- Identify the resources available for capital investment over the MTFS planning period; and
- Establish effective arrangements for the management of capital expenditure including the assessment of project outcomes, budget profiling, deliverability, and the achievement of value for money.

3. Investment Priorities

3.1 Underlying the Capital Strategy is the recognition that the financial resources available to meet corporate priorities are constrained in the current economic and political climate. Central government support for capital investment has reduced significantly over the last few years, along with these reductions is the recognition that the Council must rely on internal resources and find ways in which investment decisions can be either self-sustaining or generate positive returns both in terms of meeting corporate objectives and producing revenue savings.

3.2 Against the background of limited central government support the capital programme identifies the total investment needed to support the achievement of Council's aims and objectives such as housing, economic development and climate emergency. The Council's capital investment plans are also important to the ongoing financial resilience of the authority given the key objective of investing in commercial assets to deliver a positive financial return for the benefit of the revenue budget.

3.3 Significant investment in council housing over the last few years has succeeded in producing a property portfolio generally at or above the decent homes standard and the delivery of a new build programme, with the first ~~80~~ 145 new properties being completed already. Imposed reductions in property rent of 1% for 4 years from April 2016 and the threat of the need to sell high value voids impacted the Council's ability to continue this level of programme in the longer term, necessitating a strategic review of assets, service delivery and financing. In the short term the new build programme has been maintained by utilising resources previously ear-marked for potential debt redemption, but this does mean that the authority will need to refinance its housing debt when it matures. A commitment to repeal the sale of high value voids legislation and the removal of the HRA borrowing cap mean that a longer-term program of new build can now be developed.

3.4 As the majority of the council's assets are housing, there are limited opportunities to raise capital receipts through disposals, therefore, the limited capital resources available through grant, capital receipts and private sector contributions are prioritised to maximise outputs with minimum ongoing future revenue costs.

3.5 Capital investment in the Council's wholly owned subsidiary, Ermine Street Housing, offers the opportunity to realise interest receipts which will contribute to the council's revenue funding.

3.6 Cambridgeshire is an area of growth with the Greater Cambridge Partnership (formerly City Deal) offering financial support to deliver infrastructure to facilitate the delivery of homes and business space, as set out in the draft local plans for Cambridge City and South Cambridgeshire council areas. This will in turn contribute towards council funding in the longer term in the form of additional council tax and business rates receipts.

3.7 A further opportunity is the designation of Enterprise and Development Zones, including sites at Cambourne Business Park, Cambridge Research Park and Northstowe, which have the potential to offer incentives to enable the creation of new businesses and employment.

3.8 The major themes of the Capital Programme are, therefore, as follows:

- **Economic Investment:** The Council will continue to seek investments that generate longer term growth. These projects will yield a combination of revenue generation (business rates or interest), jobs and capital infrastructure investment, based on sound business cases. This also includes investment to support the Business Plan priority "Green to the Core" with consequent carbon reduction and revenue payback benefits.

- **Existing Housing:** Significant investment has been made in recent years to raise the standard of council dwellings to meet the government's decent homes standard. In addition to the decent homes investment, the authority has previously invested in energy conservation projects such as external wall insulation, solar energy initiatives and renewable heating sources. Reduced energy conservation programmes will continue but with the investment level lower due to the reductions in rental income.

- **New Housing Supply and Housing Partnerships:** The Council are managing a new build programme in-house, which is anticipated to deliver an average of just over 50 new homes per annum to meet local housing need. Opportunities to work with the Combined Authority to deliver new affordable homes in the district are also being fully explored.

- **Commercial Housing Enterprise Initiatives:** The Council has established a Housing Company (South Cambs Limited trading as Ermine Street Housing) to enable the supply of private rented housing stock.

- **Strengthen the Council's Asset Base:** An approved Investment Strategy aims to provide a robust and viable framework for the acquisition of commercial property investments and the pursuance of redevelopment and regeneration opportunities that contribute to Business Plan objectives and can deliver positive financial returns to the Council.

- **Maintaining Corporate Property Assets:** Significant investment is committed in the capital programme towards maintaining the Council's assets, including environmental improvements. To manage its maintenance liability, the Council is rationalising its office accommodation through sub-let of office space, providing a contribution to ongoing revenue savings. A process of on-going reviews will identify potential alternative use of office buildings and car park for capital investment to generate long term revenue savings.

- **Efficiency through Technology:** The Council is investing in technology to deliver a digital solution to the transformation of service delivery and in so will increase the accessibility of Council services and reduce operating costs. The Council's ICT service is shared with Cambridge City and Huntingdonshire District Councils, and appropriate investment into ICT hardware and software will continue to be undertaken on a case by case basis, the primary focus being improved technologies on a spend to save basis.

- **Refuse and Recycling Collection:** A shared trade and domestic waste collection service with Cambridge City Council, supported by capital investment, will achieve long term revenue savings through service rationalisation and vehicle efficiencies.

- **Community Projects:** Capital grants to other organisations will be considered where the council incurs no staff or other recurring costs; these organisations are, however, expected to raise additional capital resources from the National Lottery, Sports Council, etc. The Council has a funding toolkit on its website to assist organisations seeking funding.

4. Governance Arrangements

4.1 The Council has various mechanisms in place which seek to ensure that there is an integrated approach to addressing cross-cutting issues and developing and improving service delivery through its capital investment in pursuance of the Council's over-arching aims.

4.2 An integrated service and financial planning process is followed. Within this framework all proposals for capital investment are required to demonstrate how they contribute to the Council's aims and objectives. The evaluation process for investment proposals aligns corporate objectives with costs and benefits ensuring delivery of efficiency and value for money. Investment appraisal forms and the criteria for prioritising capital bids are available to managers on the Council intranet.

4.3 Specific governance processes include:

- Democratic decision making and scrutiny processes which provide overall political direction and ensure accountability for the investment in the capital programme. These processes include:
    - The Council which is ultimately responsible for approving investment and the capital programme;
    - The Cabinet which is responsible for setting the corporate framework and political priorities to be reflected in the capital programme, with Cabinet receiving regular monitoring reports;
    - The Scrutiny and Overview Committee which is responsible for scrutiny of the Capital Strategy and capital programme;
    - The need for compliance with Standing Orders and Financial Regulations.

- Officer groups which bring together a range of service interests and professional expertise. These include:
    - The Executive ~~Management~~ Leadership Team which has overall responsibility for the strategic development, management and monitoring of the capital programme;
    - Corporate Management Team, providing service manager review and monitoring of key areas;
    - Specific project boards with wide ranging membership, for example the Greater Cambridge Partnership Board;
    - Management teams which overview reports for investments prior to Executive ~~Management~~ Leadership Team and Cabinet approval;
    - Project Teams created to oversee significant capital projects as required.

4.4 Council assets are kept under review, valuations of land and property being undertaken by a professionally qualified valuer every five years, with an annual review at year end to ensure material changes in asset value are accounted for. The CAP and HRA Asset Management Plan will ensure that a comprehensive forward plan of maintenance and improvement work is identified to support funding allocations in the Council's forward capital programme.

5. Capital Programme Monitoring

5.1 Effective arrangements for the management of capital expenditure are essential, including the assessment of project outcomes, budget profiling, deliverability and the achievement of value for money. In terms of project outcomes and deliverability, the Cabinet will, therefore, receive an annual report covering:

- the details of schemes commenced on time;
- the details of schemes completed on time;
- how many schemes were completed within budget;
- the extent to which predetermined investment objectives were met.

5.2 A post implementation review of key capital projects should be undertaken by the relevant Lead Officer and reported to Cabinet as part of the annual report.

5.3 Established monitoring processes should ensure that project risks, such as project slippage, lack of engagement from project managers, skills shortage, poor IT systems, are identified, evaluated and managed. Risks should be clearly identified in the Council's risk register and the impact of any such risks on key investment priorities should be reported to Cabinet as part of regular monitoring reports.

6. Capital Expenditure and Financing

6.1 Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. For local government this includes spending on assets owned by other bodies, i.e. loans and grants enabling them to acquire assets. The Council has limited discretion on what counts as capital expenditure; capital spending below £10,000 (the deemed de-minimus value) is not capitalised and, as such, is charged to revenue.

6.2 Details of gross capital expenditure approved in the current Capital Programme are set out in Annex A **Prudential Indicator 1: Estimates of Capital Expenditure.**

6.3 Under certain circumstances the Council acts as an intermediary for central government in relation to transferring specific capital grants to third parties. The Council is committed to actively working with partners in the public, private and voluntary sectors to maximise capital investment in order to promote the social, economic and environmental wellbeing of the District and its residents.

6.4 Capital expenditure must be financed, either from external sources (government grants/external contributions), the Council's own resources (revenue, reserves, and capital receipts) or debt (borrowing and leasing). The main sources of capital funding are summarised below:

- **Central Government:**
    - Grants are allocated in relation to specific programmes or projects and the Council would seek to maximise such allocations, developing appropriate projects which reflect government and partnership led initiatives and agendas while addressing the needs of the District. In general terms, the major source of capital funding available to the Council has been grant approvals allocated by Central Government to specific or non-specific projects. This is, however, a diminishing resource and, where a priority is identified, alternative funds need to be sourced.
    - A significant amount of current funding is in the form of the New Homes Bonus (NHB) part of which is allocated to fund future capital infrastructure through the Greater Cambridge Partnership.
- **Third Party Funding:**
    - Capital grants represent project specific funding for capital projects, in addition to those from central government, more usually received from quasigovernment sources or other national organisations. In developing capital proposals, the Council will seek to maximise such external contributions, subject to any related grant conditions being consistent with the Council's policy, aims and outcomes.
- **Private Contributions:**
    - The Council will seek to maximise developer contributions (e.g. for the provision of affordable housing or sustainable community needs) through the Section 106 process and will also review the potential of the new Community Infrastructure Levy (CIL) to support on-going investment.

- The Council will continue to work with the private sector to utilise or re-purpose redundant assets to facilitate regeneration and employment creation.

- **Borrowing:**

  - The Council has discretion to undertake prudential 'unsupported' borrowing under the Prudential Code. This discretion is subject to compliance with the Code's regulatory framework which requires any such borrowing to be prudent, affordable and sustainable.

  - Given the pressure on the Council's revenue budget in future years, prudent use will be made of this discretion in cases where there is a clear financial benefit such as invest to save, spend to earn or regeneration schemes which do not increase expenditure in the longer term.

- **Capital Receipts:**

  - Unallocated capital receipts received prior to April 2012 are available for general use and, as such, will be used for General Fund and/or HRA capital expenditure. Capital receipts received after April 2012 primarily relate to HRA property and land sales, the use of which is subject to detailed national regulations and associated guidance. The Capital Programme will detail anticipated capital receipts and the proposed use of theses within the constraints imposed.

  - Most disposals relate to dwellings sold under the government right to buy scheme; the scheme allows the retention of some of the receipts subject to certain conditions i.e. used to fund the delivery of new social housing to a maximum of 30% of any dwelling funded through this method, with the balance being funded from the Council's own resources or by borrowing.

  - Capital receipts from asset disposal are a finite funding source and it is important that a planned ad structured manner of disposals is created to support the priorities of the Council. Cash receipts from the disposal of surplus assets are to be used to fund new capital investment as and when received, with restrictions on the use HRA receipts for any other purpose.

- **Lease Finance:**

  - Where alternative funding is not available for vehicles or minor equipment, and the revenue budget does not allow for a full capital repayment, and there is a robust business case then the option of leasing may be considered.

- **Revenue Contributions:**

  - Capital expenditure may be funded directly from revenue as specific budget provision, however, the pressures on the Council's revenue budget and Council Tax levels limits the extent to which this may be exercised as a source of capital funding for the General Fund. Revenue is used extensively to support the HRA programme, whilst maintaining the minimum level of reserves.

6.5 Council resources will be allocated to programmes based on asset values to manage long term yield and revenue implications. Where possible, capital receipts will be focussed on assets with short term life span, e.g. vehicles and equipment, and the unsupported borrowing on long term assets e.g. land and buildings.

6.6 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). The Council sets aside the MRP for debt repayment in accordance with its MRP policy as set out in the Treasury Management Strategy.

6.7 The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The planned Capital Financing Requirement is set out in Annex A **Prudential Indicator 2: Estimates of Capital Financing Requirement.**

7 Asset Management

7.1 To ensure that General Fund capital assets continue to be of long term use, the Council has a **Corporate Asset Plan (CAP).** The CAP priorities are to:

1. Manage our assets strategically as a corporate resource and continue to embed the Corporate Landlord model;
2. Support and empower local people by providing the right property, in the right place, at the right time;
3. Provide value for money and secure efficiencies for the future;
4. Support economic growth and regeneration by supporting and responding to local business needs;
5. Work effectively with partners to maximise sharing and delivery opportunities;
6. Reduce the environmental impact of our estate through initiatives such as energy reduction/efficiencies.

7.2 Asset condition assessments will be regularly undertaken to inform the identification of capital replacements within the CAP.

7.3 A separate HRA Asset Management Plan also exists to ensure the effective management of the Council's HRA assets.

8 Treasury Management

8.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts. The Council typically has cash available in the short-term as revenue income is received before it is spent, but in the long-term capital expenditure is incurred before being financed. The short term revenue cash balances are offset against capital expenditure to reduce overall borrowing.

8.2 The Council's main objective when borrowing from external sources is to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting and the Council, therefore, seeks to strike a balance between less costly short term loans and long term fixed rate loans where the future cost is known but is higher.

8.3 Projected levels of the Council's total outstanding debt (which comprises borrowing and lease liabilities) compared with the Capital Financing Requirement are shown in Annex A **Prudential Indicator 3: Gross Debt and the Capital Financing Requirement.** Debt remains below the Capital Financing Requirement as required by statutory guidance.

8.4 The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit. The Limits are set out in Annex A **Prudential Indicator 4: Authorised Limit and the Operational Boundary for External Debt.**

8.5 Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain (i.e. commercial venture with a long term revenue stream anticipated) are not considered to be part of treasury management. The Council's policy on treasury investment 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.

8.6 Decision on treasury management investment and borrowing are made daily and are, therefore, delegated to the Head of Finance, being the Council's Chief Finance Officer and appropriately qualified staff, who must act in line with the Treasury Management Strategy that is approved annually by Council.

8.7 Due regard will be given to the prevailing rules in relation to local authority borrowing from the PWLB and, in particular, the impact of borrowing for the acquisition of commercial assets on the Council's wider borrowing requirements. Due regard will be given to the guidance published by HM Treasury on 25 November 2020 entitled, "Public Works Loan Board: future lending terms – Response to the consultation". The new borrowing rules restrict the ability of local authorities to borrow from PWLB for pure investment in commercial property.

As a condition of accessing the PWLB, Local Authorities must submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB. As part of this, the Head of Finance will need to confirm that there is no intention to buy investment assets primarily for yield at any point in the next three years. This assessment is based on their professional interpretation of guidance issued. When applying for a new loan, the Local Authority must confirm that the plans they have submitted remain current and provide assurance that they do not intend to buy investment assets primarily for yield.

If the Council intends to buy commercial assets primarily for yield (even by using reserves) then they will be prevented from taking any PWLB borrowing and will need to consider alternative sources of funding. It is not, therefore, permitted to reprofile the capital programme so that borrowing is only used on allowed projects, with internal borrowing used for commercial activities.

9 Investment Strategy

9.1 In addition to the Capital Strategy, the Council is now required to have a separately approved Investment Strategy.

9.2 With central government financial support for local public services declining, Council investment in commercial property, although not purely for financial gain does nevertheless generate a financial return. In addition, the Council may lend to its wholly owned company Ermine Street Housing for financial gain.

9.3 A key objective of the Investment Strategy is to invest in commercial assets to achieve a positive financial return, with initial plans to invest £340 million over a 5 year period in order to contribute in excess of £11 million per annum to the Council's revenue budget. This highlights the importance to the Council's capital investment plans to the ongoing financial resilience of the authority.

9.4 With financial return being a key objective (i.e. not a subsidised provision), the Council acknowledges higher risk on commercial property investment than with treasury investments. The principal risk exposures include vacancy rates due to market conditions and external economic influences; potential reduction in both rental and capital values due to market changes; obsolescence due to changing demand and technological changes; and the impact of Minimum Energy Efficiency Regulations 2015. These risks are managed in accordance with the Council's approved CAP through proactive estates management practices and regular reviews of the performance of and continued requirement for each asset.

10 Revenue Budget Implications

10.1 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, Business Rates and general Government Grants. Forecasts are set out in Annex A **Prudential Indicator 5: Proportion of Financing Costs to Net Revenue Stream.**

10.2 Due to the very long term nature of capital expenditure and financing, the revenue budget implications of capital expenditure incurred in the next few years could potentially extend for up to 50 years into the future. The Capital Programme is formulated within the financial constraints of the Council's Prudential Indicators set out in Annex A to this Strategy.

10.3 In assessing affordability, the Council takes a whole life costing approach to capital investment decisions whereby the Council not only has to consider the availability of internal and external resources but also has to quantify the impact of such investment decision on future revenue budgets and tax payers.

10.4 The Council is committed to achieving value for money when making capital investment decision and complies with the regulations relating to the Prudential Framework for Capital Finance and reporting requirements set out in the Code of Practice on Local Authority Accounting. The Head of Finance as the Council's Chief Finance Officer is required, under Section 25 of the Local Government Act 2003, to report on the robustness of estimates (in relation to the proposed budget) and the adequacy of financial reserves. This Section 25 Report takes into account the Council's capital investment plans and, as such, incorporates the Prudential Code requirements of the proposed capital programme being prudent, affordable and sustainable.

11 Knowledge and Skills

11.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Chief Executive is a qualified accountant with ~~13~~ 14 years' experience. The Head of Finance is a qualified accountant and has ~~26~~ 27 years' experience. A designated Accountancy Assistant with relevant experience completes the structure which will ensure the Council meets the requirements of MiFiD II Professional Investor. The Head of Commercial Development & Investment is obtaining the RICS qualification. The Council supports junior staff to study towards relevant professional qualifications including CIPFA and RICS.

11.2 Where Council staff do not have the knowledge and skills required, use is made of external advisors and consultants that are specialists in their field. The Council currently contracts Link Asset Services as its Treasury Management Advisor and, where property consultants are required, they will be RICS qualified. The use of consultants is regarded as more cost effective than employing such staff directly, and the approach adopted ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

11.3 Councillors undertake training on the Capital Strategy and supporting Investment Strategy and Treasury Management Strategy, and regular reports on treasury management performance are submitted to the established Audit & Corporate Governance Committee.

12 Reference Documents and Relevant Documents

12.1 The key reference documents include:

- CIPFA Prudential Code for Capital Finance in Local Authorities 2017 Edition
- CIPFA Prudential Code for Capital Finance in Local Authorities Guidance Notes for Practitioners 2018 Edition
- CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes 2017 Edition
- CIPFA Guidance on Prudential Property Investment
- CIPFA Code of Practice on Local Authority Accounting in the UK 2019/2020
- Statutory Guidance on Local Government Investment (3rd Edition) 2018
- Statutory Guidance on the Minimum Revenue Provision 2018

12.2 Reference is made to a number of relevant documents that provides more details of the projects, risks, funding and timescales. The links are as follows:

- Business Plan:

  https://www.scambs.gov.uk/your-council-and-democracy/performance-and-plans/council-plans-and-reports/our-business-plan/

- Revenue and Capital Estimates: [2021/2022 budget to be considered at the meeting]

- Corporate Asset Plan:

  https://www.scambs.gov.uk/your-council-and-democracy/performance-and-plans/council-plans-and-reports/corporate-asset-plan/

- HRA Asset Management Plan: [Currently subject to review]

- Medium Term Financial Strategy:

  https://www.scambs.gov.uk/your-council-and-democracy/performance-and-plans/council-plans-and-reports/medium-term-financial-strategy/

- Investment Strategy: [Updated version to be considered at the meeting]

- Treasury Management Strategy: [Updated version to be considered at the meeting]

- Standing Orders:

  https://scambs.moderngov.co.uk/documents/s106702/01%20-%20Standing%20Orders

- Financial Regulations:

  https://scambs.moderngov.co.uk/documents/s106707/06%20-%20Financial%20Regulations

Annex A

Recommended Prudential Indicators

The Prudential Indicators and Limits are based on currently known information and, in particular, the approved capital programme. Consequently, the indicators and limits set out below are subject to change (e.g. if any amendments are made to the capital programme).

These indicators and limits are to ensure the Council manages its finances in a clear and transparent manner, and that the impact of capital expenditure decisions on current and future budgets is understood.

1. **Estimates of Capital Expenditure (National Indicator)**

   This indicator provides the level of gross capital expenditure that is estimated to be incurred. The estimated expenditure includes schemes where funding has already been approved.

	2019/2020 Actual £000	2020/2021 Forecast £000	2021/2022 Forecast £000	2022/2023 Forecast £000	2023/2024 Forecast £000
Capital Expenditure	64,949	91,644	139,528	98,474	100,501

2. **Estimates of Capital Financing Requirement (National Indicator)**

   This indicator provides a limit for which net external borrowing will not be exceeded, except on a short-term basis. The Council has met this requirement in previous years and there are no difficulties envisaged in the current or future years based on current plans and policies known at this time.

	2019/2020 Actual £000	2020/2021 Forecast £000	2021/2022 Forecast £000	2022/2023 Forecast £000	2023/2024 Forecast £000
Capital Financing Requirement	309,030	366,854	469,142	540,142	609,142

3. **Gross Debt and the Capital Financing Requirement (National Indicator)**

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

	2019/2020 Actual £000	2020/2021 Forecast £000	2021/2022 Forecast £000	2022/2023 Forecast £000	2023/2024 Forecast £000
Debt (including Leases)	215,123	249,123	351,411	422,411	491,411
Capital Financing Requirement	309,030	366,854	469,142	540,142	609,142
Difference	93,907	117,731	117,731	117,731	117,731

4. **Authorised Limit and the Operational Boundary for External Debt (National Indicator)**

This Authorised Limit determines the maximum total amount the Council will be able to borrow. The limit for Other Long Term Liabilities has been included to allow the Council to enter into Finance Leases; the limit needs to accommodate the new leasing Accounting Standard IFRS 16 (adopted by CIPFA in the Code of Practice on Local Authority Accounting from 1 April 2020) which requires all leases and rental agreements to be held on the Council's Balance Sheet as an asset and lease liability. The Operational Boundary indicator represents the prudent level of borrowing and will be reviewed annually.

	2019/2020 Limit £000	2020/2021 Limit £000	2021/2022 Limit £000	2022/2023 Limit £000
Authorised limit – borrowing	345,803	433,693	479,142	550,142
Authorised limit – other long term liabilities	-	-	-	-
Authorised limit – total external debt	345,803	433,693	479,142	550,142
Operational boundary – borrowing	340,803	428,693	474,142	545,142
Operational boundary – other long term liabilities	-	-	-	-
Operational boundary – total external debt	340,803	428,693	474,142	545,142

5. **Proportion of Financing Costs to net revenue stream (National Indicator)**

This indicator provides the ratio of financing costs to the Council's estimated net revenue expenditure budget (i.e. the expenditure financed by business rate redistribution, council tax and collection fund surplus share).

	2019/2020 Actual £000	2020/2021 Forecast £000	2021/2022 Forecast £000	2022/2023 Forecast £000	2023/2024 Forecast £000
Financing Costs	581	870	1,363	1,956	2,335
% of Net Revenue Stream	3.1	4.3	8.0	11.0	12.9

The national indicators for capital expenditure, capital financing requirement and debt expenditure as a percentage of net revenue stream show significant increases which need to be set against the context of significant income contributions to the revenue budget from commercial property investment. This is identified in the "Net Commercial Income to Net Service Expenditure" ratio at paragraph 8.4.2 of the separate Investment Strategy.

This page is left blank intentionally.

Scrutiny and Overview Committee Work Programme 2021

Meeting date	Potential Agenda item (subject to prioritisation by Chair and Vice Chair)	Task and Finish/Working Groups
Every meeting	Selected Key and Non-Key Decision items prior to Cabinet Work programme Feedback from task and finish groups	
February 2021	• Potential Property Investment Decision • 2020/2021 Revenue and Capital Budget Monitoring • Review of the Business Plan • East West Rail Bedford To Cambridge route alignments and station locations consultation response • Update on ICT • Reports from Scrutiny Task and Finish Groups	Anti-Racist Task and Finish Group Covid-19 Task and Finish Group
March 2021	• Potential Property Investment Decision	

This page is left blank intentionally.

Notice of Key and Non Key Decisions

To be taken under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 from 6 January 2021

South Cambridgeshire District Council

Notice is hereby given of:

- Key and Non Key decisions that will be taken by Cabinet, individual Lead Cabinet Members or Officers
- Confidential or exempt executive decisions that will be taken in a meeting from which the public will be excluded (for whole or part)

A Key Decision is a decision by the Cabinet, or an individual Cabinet Member or officer, which is likely to either incur significant* expenditure or make significant savings, or to have a significant impact on those living or working in 2 or more wards.

*A decision to:

1. Incur expenditure or savings in excess of £200,000; or
2. Acquire or dispose of land or property with a value in excess of £1,000,000 shall be treated as significant for these purposes. However, a decision to invite a tender or award a contract shall not be treated as a key decision where the purpose of the contract is to fulfil the intention of any policy or scheme included in the policy framework or budget or involves a continuation of an existing policy or service standard.

A notice / agenda, together with reports and supporting documents for each meeting will be published at least five working days before the date of the meeting. In order to enquire about the availability of documents and subject to any restriction on their disclosure, copies may be requested from Democratic Services, South Cambridgeshire District Council, South Cambridgeshire Hall, Cambourne Business Park, Cambourne, Cambridge, CB23 6EA. Agenda and documents may be accessed electronically at www.scambs.gov.uk

Formal notice is hereby given under the above Regulations that, where indicated (in column 4), part of the meetings listed in this notice may be held in private because the agenda and reports for the meeting will contain confidential or exempt information under Part 1 of Schedule 12A to the Local Government (Access to Information) Act 1985 (as amended) and that the public interest in withholding the information outweighs the public interest in disclosing it. See overleaf for the relevant paragraphs.

If you have any queries relating to this Notice, please contact
Victoria Wallace on 01954 713026 or by e-mailing Victoria.Wallace@scambs.gov.uk

Paragraphs of Part 1 of Schedule 12A to the Local Government (Access to Information) Act 1985 (as amended)
(Reason for a report to be considered in private)

1. Information relating to any individual
2. Information which is likely to reveal the identity of an individual
3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)
4. Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority
5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings
6. Information which reveals that the authority proposes:
   (a) to give under any enactment a notice under or by virtue of which requirements are imposed on a person; or
   (b) to make an Order or Direction under any enactment
7. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime

The Decision Makers referred to in this document are as follows:

Cabinet

Councillor Bridget Smith	Leader of the Council
Councillor Aidan Van der Weyer	Deputy Leader (statutory), Strategic Planning and Transport
Councillor Neil Gough	Deputy Leader (non-statutory), Transformation and Projects
Councillor Bill Handley	Community Resilience
Councillor Tumi Hawkins	Planning Policy and Delivery
Councillor Peter McDonald	Business Recovery
Councillor Brian Milnes	Environmental Services and Licensing
Councillor Hazel Smith	Housing
Councillor John Williams	Finance

Key and non-key decisions expected to be made from 6 January 2021

Decision to be made	Description of Decision	Decision Maker	Date of Meeting	Reason for Report to be considered in Private	Portfolio Holder and Contact Officer	Documents submitted to the decision maker
Potential Property Investment Decision Key	Potential decision on potential Investment Strategy acquisition where in line with the Council's Constitution, the level of investment requires Cabinet agreement.	Cabinet	18 January 2021	Part or all of the report may be exempt by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972	Lead Cabinet member for Finance Peter Maddock, Head of Finance	Report (publication expected 13 January 2021)
Potential Property Investment Decision Key	Potential decision on potential Investment Strategy acquisition where in line with the Council's Constitution the level of investment requires Cabinet agreement. If no such decisions are needed, this item will be withdrawn.	Cabinet	03 February 2021	Part or all of the report may be exempt by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972	Lead Cabinet member for Finance Peter Maddock, Head of Finance	Report (publication expected 26 January 2021)
Potential property acquisition decision Key	Potential decision items relating to decisions to acquire property where in line with the	Cabinet Cabinet	18 January 2021 03 February 2021	Part or all of the report may be exempt by virtue of paragraph 3 of Part 1 of	Lead Cabinet member for Housing Peter Campbell,	Report (publication expected 13 January 2021) Report (publication

Key and non-key decisions expected to be made from 6 January 2021

Decision to be made	Description of Decision	Decision Maker	Date of Meeting	Reason for Report to be considered in Private	Portfolio Holder and Contact Officer	Documents submitted to the decision maker
	Council's Constitution, the level of investment requires Cabinet agreement (acquisitions in excess of £2m). If no such decisions are needed, this item will be withdrawn.			Schedule 12A of the Local Government Act 1972	Head of Housing	expected 26 January 2021)
Update on Health and Wellbeing Strategy Non-Key	To provide an update on the Council's Health and Wellbeing Strategy.	Cabinet	18 January 2021		Lead Cabinet Member for Community Resilience and Health & Wellbeing Lesley McFarlane, Development Officer - Health Specialist	Report (publication expected 13 January 2021)
Cambridge City Council and South Cambridgeshire District Council - Authority Monitoring Report for Greater Cambridge Non-Key	To agree that the Greater Cambridge Authority Monitoring Report is published.	Cabinet	18 January 2021		Lead Cabinet member for Planning Joint Director for Planning and Economic Development	Report (publication expected 13 January 2021)

Key and non-key decisions expected to be made from 6 January 2021

Decision to be made	**Description of Decision**	**Decision Maker**	**Date of Meeting**	**Reason for Report to be considered in Private**	**Portfolio Holder and Contact Officer**	**Documents submitted to the decision maker**
Green Energy Investment Decision Key	Potential decision on potential Investment Strategy Stream 2 green energy investment. If no such decision is needed, this item will be withdrawn.	Cabinet	18 January 2021	Part or all of the report may be exempt by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972	Lead Cabinet member for Finance Peter Maddock, Head of Finance	Report (publication expected 13 January 2021)
Update on Cambridge Ice Rink Non-Key		Cabinet	03 February 2021	Part or all of the report may be exempt by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972	Lead Cabinet member for Finance Peter Maddock, Head of Finance	Report (publication expected 26 January 2021)
Doubling Nature Strategy Non-Key		Cabinet	03 February 2021		Siobhan Mellon, Development Officer - Climate and Environment	Report (publication expected 26 January 2021)
Review of Reserves	To review the level	Cabinet	03 February 2021		Lead Cabinet	Report (publication

Key and non-key decisions expected to be made from 6 January 2021

Decision to be made	Description of Decision	Decision Maker	Date of Meeting	Reason for Report to be considered in Private	Portfolio Holder and Contact Officer	Documents submitted to the decision maker
and Provisions Non-Key	of Council's Reserves and Provisions as part of the 2021/2022 budget setting process.				member for Finance Peter Maddock, Head of Finance	expected 26 January 2020)
Treasury Management Strategy Key	To undertake the annual review of the Treasury Management Strategy.	Cabinet	03 February 2021		Lead Cabinet member for Finance Peter Maddock, Head of Finance	Report (publication expected 26 January 2021)
Proposed Fees & Charges 2021/2022 Key	To undertake the annual review and to determine non-regulatory fees and charges to be set by the Council for the provision of services from April 2020 (unless otherwise stated).	Cabinet	03 February 2021		Lead Cabinet member for Finance Peter Maddock, Head of Finance	Report (publication expected 26 January 2021)
Council Tax Arrangements 2021/2022: Proposed Council Tax Reduction Scheme Key	To consider revisions to the Council Tax Reduction Scheme.	Cabinet	03 February 2021		Lead Cabinet member for Finance Peter Maddock, Head of Finance	Report (publication expected 26 January 2021)

Key and non-key decisions expected to be made from 6 January 2021

Decision to be made	Description of Decision	Decision Maker	Date of Meeting	Reason for Report to be considered in Private	Portfolio Holder and Contact Officer	Documents submitted to the decision maker
Capital Strategy Key	To undertake the annual review of the Council's Capital Strategy.	Cabinet Council	03 February 2021 23 February 2021		Lead Cabinet member for Finance Peter Maddock, Head of Finance	Report (publication expected 26 January 2020) Report (publication expected 15 February 2021)
Capital Investment Programme Key	To determine, for recommendation to Council, the Council's Capital Programme for 2021/2022, 2022/2023 and 2023/2024 together with the Council's proposed Prudential Indicators.	Cabinet Council	03 February 2021 23 February 2021		Lead Cabinet member for Finance Peter Maddock, Head of Finance	Report (publication expected 26 January 2021) Report (publication expected 15 February 2021)
General Fund Budget 2021/2022 Key	To consider the summary General Fund Budget for 2021/2022 and to recommend the Budget to Council.	Cabinet Council	03 February 2021 23 February 2021		Lead Cabinet member for Finance Peter Maddock, Head of Finance	Report (publication expected 26 January 2021) Report (publication expected 15 February 2021)
Housing Revenue Account Budget 2021/2022	To consider the Housing Revenue Account Budget for	Cabinet	03 February 2021		Lead Cabinet member for Finance	Report (publication expected 26 January 2021)

Key and non-key decisions expected to be made from 6 January 2021

Decision to be made	**Description of Decision**	**Decision Maker**	**Date of Meeting**	**Reason for Report to be considered in Private**	**Portfolio Holder and Contact Officer**	**Documents submitted to the decision maker**
Key	2021/2022 and to recommend the Budget to Council.	Council	23 February 2021		Peter Maddock, Head of Finance	Report (publication expected 15 February 2021)
NNDR Discretionary Rates Relief Policy Update Key	Adoption of updated policy following changes to reliefs by central Government. Government frequently introduces new/changes to rates and expects this to be delivered via the Council's discretionary powers, negating the need for legislative changes.	Cabinet	03 February 2021		Lead Cabinet member for Finance Peter Maddock, Head of Finance	Report (publication expected 26 January 2021
Localised Council Tax Support Scheme Key		Cabinet Council	03 February 2021 23 February 2021		Lead Cabinet member for Finance Peter Maddock, Head of Finance	Report (publication expected 26 January 2021) Report (publication expected 15 February 2021)
Greater Cambridge Housing Strategy	Approval of draft policies for public	Cabinet	03 February 2021		Lead Cabinet member for	Report (publication expected 26

Key and non-key decisions expected to be made from 6 January 2021

Decision to be made	Description of Decision	Decision Maker	Date of Meeting	Reason for Report to be considered in Private	Portfolio Holder and Contact Officer	Documents submitted to the decision maker
Annexes Key	consultation for Build to Rent, Affordable Housing Clustering and Affordable Rent setting as annexes to the Greater Cambridge Housing Strategy.				Housing Julie Fletcher, Head of Housing Strategy	January 2021)
Response to NATS consultation Key	To agree a joint response to the NATS (National Air Traffic Services) consultation, which ends on 5th February 2021.	Deputy Leader of the Council (Statutory)	Decision to agree consultation response to be taken in February 2020.		Deputy Leader Joint Director for Planning and Economic Development	
Financial Procedure Rules Non-Key	To review existing financial regulations to ensure that they remain sound for the purpose of ensuring proper administration of the Council's financial matters.	Council	23 February 2021		Lead Cabinet member for Finance Peter Maddock, Head of Finance	Report (publication expected 15 February 2021)
Review of the Business Plan Key	To review the Council's Business Plan.	Cabinet Council	22 March 2021 15 April 2021		Leader of Council Anne Ainsworth, Chief Operating Officer	Report (publication expected 12 March 2021) Report (publication expected 7 April

Key and non-key decisions expected to be made from 6 January 2021

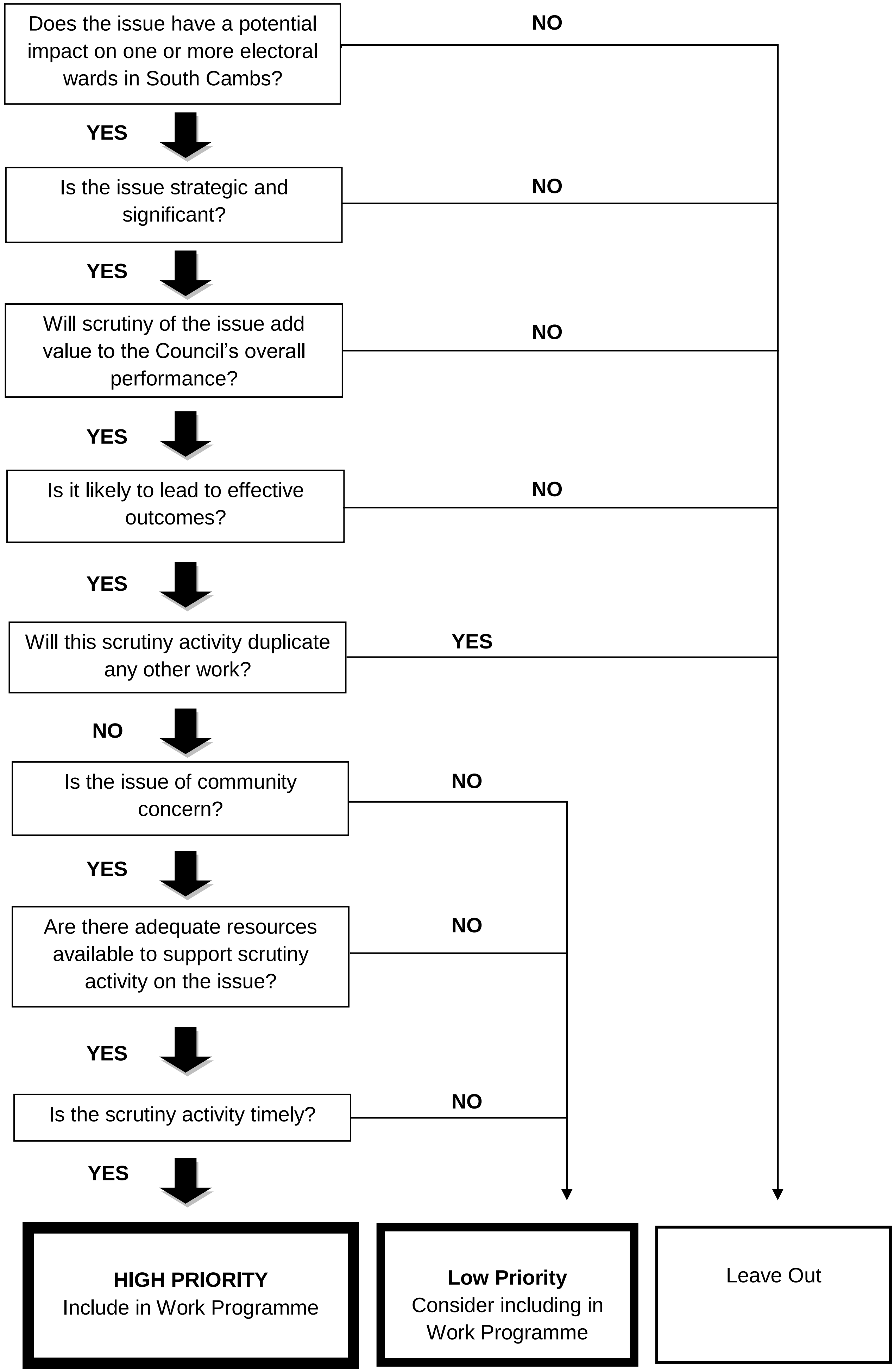
Decision to be made	Description of Decision	Decision Maker	Date of Meeting	Reason for Report to be considered in Private	Portfolio Holder and Contact Officer	Documents submitted to the decision maker
						2021)
2020/2021 Revenue and Capital Budget Monitoring Non-Key	To consider the latest monitoring data in respect of the 2020/2021 revenue and capital budgets (Q3) and emerging budget issues.	Cabinet	22 March 2021		Lead Cabinet member for Finance Peter Maddock, Head of Finance	Report (publication expected 12 March 2021)
Quarter 3 Performance Non-Key	To review performance against KPIs and progress against Business Plan objectives as at end of Q3.	Cabinet	22 March 2021		Cllr Neil Gough Kevin Ledger, Senior Policy and Performance Officer	Report (publication expected 12 March 2020)
Pay Policy Statement Non-Key		Cabinet	22 March 2021		Lead Cabinet member for Finance Peter Maddock, Head of Finance	Report (publication expected 12 March 2021) Report (publication expected 7 April 2021)
East West Rail Bedford to Cambridge route alignments and station locations consultation	To confirm the Council's response (potentially including joint responses) to East West Rail Bedford	Cabinet	22 March 2021		Deputy Leader Joint Director for Planning and Economic Development	Report (publication expected 12 March 2021)

Key and non-key decisions expected to be made from 6 January 2021

Decision to be made	Description of Decision	Decision Maker	Date of Meeting	Reason for Report to be considered in Private	Portfolio Holder and Contact Officer	Documents submitted to the decision maker
response Non-Key	to Cambridge route alignments and station locations consultation. The Council previously provided responses to broad route options for a new railway between Bedford and Cambridge. Following determination of a preferred broad route option, the forthcoming consultation will relate to detailed route alignments and station location options within Cambourne.					

This page is left blank intentionally.

Scrutiny Work Programme Prioritisation Tool



This page is left blank intentionally.