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South Cambridgeshire District Council

10 January 2022

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, Peter Fane, Sally Ann Hart, Geoff Harvey, Steve Hunt, Dr. Aidan Van de Weyer and Dr. Richard Williams

Quorum: 4

Substitutes:	Councillors Heather Williams, Mark Howell, Sue Ellington, Bunty Waters, Gavin Clayton, Henry Batchelor, Alex Malyon, Jose Hales, Dr. Ian Sollom and Paul Bearpark

There is a pre-meeting session at 4pm the day before the meeting, 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 in the **Council Chamber, South Cambs. Hall** on **Tuesday, 18 January 2022** at **5.20 p.m.**

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

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Agenda

		Pages
1.	**Chair's announcements**	
2.	**Apologies for absence** To receive apologies for absence from committee members.	
3.	**Declarations of Interest**	
4.	**Minutes of Previous Meeting** To authorise the Chairman to sign the Minutes of the meeting held on 16 December 2021 as a correct record.	1 - 14
5.	**Public Questions** To answer any questions asked by the public. The Council's scheme for public speaking at physical meetings may be inspected here: Public Questions at Meetings guidance	
6.	**Civil Parking Enforcement in South Cambridgeshire (Key)** The Scrutiny and Overview Committee is asked to comment on the draft Cabinet report attached to this agenda.	15 - 20
7.	**Council's Business Plan**	21 - 44
8.	**General Fund Budget** Report to follow as part of an agenda supplement.	To Follow

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"I propose that the Press and public be excluded from the meeting during the consideration of the following item number(s) ….. in accordance with Section 100(A)(4) of the Local Government Act 1972 on the grounds that, if present, there would be disclosure to them of exempt information as defined in paragraph(s) ….. of Part 1 of Schedule 12A of the Act."

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South Cambridgeshire District Council

Minutes of a meeting of the Scrutiny and Overview Committee held on
Thursday, 16 December 2021 at 5.20 p.m.

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

Councillors: Anna Bradnam, Dr. Claire Daunton, Dr. Richard Williams

Officers in attendance for all or part of the meeting:
Peter Campbell (Head of Housing), Terry De Sousa (Principal Policy Planner), Julie Fletcher (Head of Housing Strategy), Caroline Hunt (Strategy and Economy Manager), Stephen Kelly (Joint Director of Planning and Economic Development), Peter Maddock (Head of Finance), Matthew Paterson (Senior Policy Planner), Ian Senior (Scrutiny and Governance Adviser) and Liz Watts (Chief Executive)

Committee members Cllr Henry Batchelor (substitute), Cllr Paul Bearpark (substitute), Cllr Martin Cahn, Cllr Nigel Cathcart, Cllr Graham Cone, Cllr Peter Fane, Cllr Aidan Van de Weyer attended remotely.

Cabinet Members Cllr John Batchelor, Cllr Neil Gough, Cllr Bill Handley and Cllr John Williams were in attendance remotely, by invitation.

1. Chair's announcements

The Chair made several brief housekeeping announcements.

He informed Members about a letter which he and the Chair of the Audit and Corporate Governance Committee had sent to Mr. Daniel Fulton of the Fews Lane Consortium. At the last Audit and Corporate Governance Committee meeting Mr. Fulton had asked a supplementary question relating to the robustness of this Council's risk management of 3C ICT. Mr. Fulton was under the impression that the Head of 3C ICT, serving South Cambridgeshire District Council, Huntingdonshire District Council and Cambridge City Council, also undertook duties at two other local authorities. The letter to Mr. Fulton was to assure him that this was not the case and that the Interim Head of 3C ICT, appointed 12 months ago, worked for no other organisation.

2. Apologies for absence

The following Scrutiny and Overview Committee members sent apologies: Councillors Sarah Cheung Johnson, Councillor Sally Ann Hart, Councillor Geoff Harvey and Councillor Steve Hunt.

Councillor Bridget Smith (Leader of the Council) also sent apologies.

3. Declarations of Interest

Councillor Henry Batchelor declared a non-pecuniary interest in Minute 7 (HRA Asset Management Strategy) as a board member of both South Cambs Investment

Partnerships.

Councillor Anna Bradnam declared a non-pecuniary interest in Minute 6 (North East Cambridge Area Action Plan) as a Milton Parish Councillor, a local District Councillor for Milton & Waterbeach, and the Cambridgeshire County Councillor for the Electoral Division or Waterbeach, which includes the Parish of Milton.

Councillor Paul Bearpark declared a non-pecuniary interest in Minute 6 (North East Cambridge Area Action Plan) as a local Member for Milton & Waterbeach.

Councillor Dr. Martin Cahn declared a non-pecuniary interest in Minute 6 (North East Cambridge Area Action Plan) as a local Member for Histon, Impington & Orchard Park..

Councillor Grenville Chamberlain declared a non-pecuniary interest in Minute 6 (North East Cambridge Area Action Plan) as the sole director of Cecil Instruments, which owns commercial property adjacent to Milton Country Park and very close to the site subject of the Area Action Plan.

Councillor Peter Fane declared a non-pecuniary interest in Minute 7 (Housing Revenue Account (HRA) Asset Management Strategy 2021 - 2026: Building Strong Foundations) as a Board member of both Ermine Street Housing and Shire Homes.

Councillor Judith Rippeth declared a non-pecuniary interest in Minute 6 (North East Cambridge Area Action Plan) as a local Member for Milton & Waterbeach.

4. Minutes of Previous Meeting

The Scrutiny and Overview Committee authorised the Chair to sign, as a correct record, the minutes of the meeting held on 11 November 2021.

5. Public Questions

The Chair said that, at the start of each meeting, the practice was to allow up to 15 minutes for questions from the public. However, as some of the questions at the current meeting were extremely long and likely to take up most of that time, he would not be allowing supplementary questions on this occasion.

Question from Margaret Starkie (about Item 6)

The Area Action Plan is predicated on the proposed relocation of Cambridge Waste Water Treatment Plant (CWWTP), for which the Development Consent Order (DCO) process is still in the pre-application stage. Given that the CWWTP DCO application is unlikely to be submitted until late 2022 or early 2023, the proposed Regulation 19 submission of the Area Action Plan is premature.

Why is resource being used so inappropriately and prematurely when the consultation on CWWTPR is not scheduled until February 2022 and the councils are deferring any formal public consultation on NECAAP until after the DCO and the officers have recommended that any subsequent alteration to the area action plan is delegated to individual members and officers which appears to be at odds with the democratic process?

Response

The Chair said that the Greater Cambridge Local Development Scheme, adopted in July 2020, set out the Councils' process for preparing the North East Cambridge Area Action Plan. In respect of the timing of preparing the Proposed Submission AAP, and the reason for that, it said:

> "9. Significant government Housing Infrastructure Funding had been secured to facilitate the relocation of the Milton Waste Water Treatment Plant (WTP) which would enable the development of a major brownfield site and comprehensive planning of the North East Cambridge area. Anglian Water proposed that a Development Consent Order (DCO) process be undertaken to enable the relocation.
>
> 10.The formal agreement by the Councils of the Proposed Submission AAP will be an important factor in the DCO Examination process to demonstrate commitment to development of the area. Therefore, work on the AAP is intended to progress to complete the Regulation 18 stage, consider the responses received and prepare the Proposed Submission AAP. The Councils would make a decision ahead of the DCO Examination to agree the AAP for Regulation 19 publication, but actually carrying out the consultation would be subject to the successful completion of the DCO process, because of the need at Examination to be able to demonstrate that the development proposed on the site could be delivered.
>
> 11. It is therefore anticipated that the AAP process would then pause until the outcome of the DCO is known. If successful, the Councils would then proceed with the publication of the Proposed Submission AAP for the making of representations (Regulation 19), following which the AAP would progress to Submission and Examination."

The Councils were complying with and implementing the process and timing set out in the adopted Local Development Scheme, in bringing the Proposed Submission AAP to Members now for agreement ahead of the formal stages of the DCO process progressing in 2022.

Question from Catherine Martin (about Item 6)

The North East Cambridge site has been described by officers as the most sustainable site for building in the area. [The Strategy and Economy Manager] mentioned this in her opening at the November Joint Local Plan Advisory Group meeting. Could you please consider the impact of the release of embedded carbon in the destruction of the sewage plant and the massive carbon impact of rebuilding the sewage plant on precious green belt a couple of fields away?

Response

The Chair said that the description given at the Joint Local Plan Advisory Group meeting of the North East Cambridge site had been as the most sustainable *location* in Greater Cambridge for development. This referred to the locational benefits in terms of minimising carbon emissions from transport and the opportunity to maximise travel by non-car modes, as identified in our evidence.

That comment had not been intended to relate to a wider more detailed assessment of the North East Cambridge site that included embodied carbon. It was not possible or appropriate at the plan-making stage to undertake a full carbon impact assessment, including arising from demolition and proposed development, because that level of detail was not normally available.

The Sustainability Appraisal supporting the Proposed Submission AAP considered the cumulative effects of the Plan in combination with other plans and projects, including the relocation of the waste water treatment plant, to the extent appropriate for the stage of the project at the time of the assessment. In terms of embedded carbon associated with the new proposal, this was addressed at paragraph 5.36 of the Sustainability Appraisal. The SA would be kept under review as the AAP and the DCO processes moved forward, to take into account any new information.

The Scoping Opinion relating to the Development Consent Order process for the new Waste Water Treatment Plant had now been published by the Planning Inspectorate. With specific reference to the decommissioning and demolition of the existing plant, it required assessment of the cumulative impacts of the proposal for the new works together with the effects of waste generated from demolition activities at the existing sewage works. This would include an assessment of cumulative Carbon impacts.
In any event, Policy 2 of the Proposed Submission Area Action Plan before Members required planning applications to calculate carbon emissions through a Whole Life Carbon Assessment, to demonstrate actions to reduce life-cycle carbon emissions and also to reduce construction waste.
The Environmental Assessment supporting any planning application for development on the North East Cambridge site would be expected to include consideration of the demolition of existing structures on the site and the potential for waste reduction and reuse on site. This would inform the Whole Life Carbon Assessment required by the AAP.

The fact that there were different legal processes involved for the AAP and the DCO did not mean that there was any reduction in the level of scrutiny of the projects. All matters would be considered in the correct forum and in the correct way and both would be subject to scrutiny from independent planning inspectors before they could be approved.

Question from James Littlewood (about Item 6)

There are many things to commend in the environmental aspirations for this development but disappointingly the provision on natural greenspace is not one of them.

The amount of informal green space meets the minimum amount required by the council's policies but two thirds of this is provided on a business park, described on p26 of the Open Spaces Report as "these green spaces aren't perceived as being accessible to the wider public". Would you want to visit a business park for your leisure and recreation? It should be noted that the green space on the business park already exists, so it is not new space.

Only a third of the green space is provided in conjunction with the housing. Most of this is provided as linear green space or pocket parks, in other words small areas of green space that are loomed over by high-rise buildings. There is one larger park but the size of this is not provided in any of the documents.

Extrapolating from the plans, we estimate this to be around 2-3 ha in size. Fig 20 in your report includes an infographic which aims to compare the amount of open space in the AAP with other Cambridge parks, the comparison is misleading because the parks which are used for comparison are just that, parks. A better comparison would be the main park proposed for the new development. At 2-3ha this is small in comparison to the other parks, given that it is to cater for 16,000 people.

At a bare minimum the proposals for the AAP might possibly just provide for the day-day open space needs of the new residents: play space for children, somewhere to walk the dog or kick a ball about. But what it won't do is provide the kind of green spaces that people in high density developments need access to – which is large natural greenspace:

somewhere they can go for a long walk or run, experience nature, and escape the pressures of urban life.

There is of course somewhere for them to do that, it is Milton Country Park and a subway is proposed under the A14 so that residents can get to it. And that is exactly where the 16,000 people will go. That would be great if it were not for the fact that the Country Park is already at capacity and cannot cope with 16,000 more visitors.
In the hundreds of pages text is there is almost no mention of Milton Country Park at all, let alone of it meeting the needs of the development. There has been no assessment of whether the country park has the capacity to cope and what mitigation might be required to enable it to do so. We could see no requirement
for S106 contributions to support the park to cope only this rather vague paragraph on page 54 of the Open Spaces & Recreation Topic Paper:

> There is a need to build in community resilience and capacity into the existing open space provision for NEC. Alongside any on-site provision, opportunities to use S106 contributions outside the city on largescale green infrastructure should be considered. This will avoid pressure building up on existing parks,open spaces and cycleways, which might otherwise lose their biodiversity and other qualities. For example, undertaking negotiations for specific S106 contributions, for growth sites straddling the Cambridge/South Cambridgeshire boundary. These could explore opportunities for improving existing or creating new parks beyond the city which are easily accessible by foot and cycle, in order to avoid over-investment in, and over-use of popular or environmentally sensitive sites.

Natural England's Accessible Natural Greenspace Standards would require the AAP development to have a large 100 hectare site of accessible natural greenspace within 5km. Especially as this development is to be largely car free. But there isn't one. To make matters worse, the north of Cambridge will also see 20,000 people at Northstowe and 22,000 at Waterbeach. Where will these 58,000 people go to meet their green space needs?

This is an area which has been highlighted in the evidence base for the next Local Plan as already suffering from a deficit of green infrastructure and recreational pressure. This report, informing the Local Plan, highlights North East Cambridge to Waterbeach as a priority area for green infrastructure with its enhancement marked as of 'critical importance'.
The only option for providing that critical green space is through the North East AAP and therefore it is essential that Section 106 contributions are secured towards this.

Please will the Scrutiny Committee recommend that the AAP is not adopted until there is a commitment within the AAP for development contributions towards providing the larger scale green space that will be desperately needed by the future 58,000 residents of North East Cambridge, Waterbeach and Northstowe.

Response

The Chair said it was important to clarify that the Councils were not seeking to adopt the Area Action Plan at this stage, the recommendation to both Councils' scrutiny committees was to agree the AAP and supporting documents for future public consultation following the outcome of the DCO process to relocate the WWTP.

The AAP required development to bring forward 27.6 hectares of new informal and children's play space across the area which is the equivalent of around 34.5 football pitches or around three times the size of Parker's Piece. In combination with the existing open spaces at NEC, the development would meet the informal and children's play space requirements in the adopted Local Plans on-site, meaning all residents would have access to open space within a 5-minute walk of their homes for day-to-day informal recreation. The existing open spaces within the employment parks would form an important part of NEC for informal exercise and by providing a range of different types of spaces for people to enjoy.

The proposed open spaces were substantial in size. The new large green space was 4.1 hectares, which was around the same size as Christ's Pieces or five football pitches. Similarly, the main linear park was between 70 metres and 100 metres wide, which was the length of a football pitch, and over 1.3 kilometres long. As required by the AAP, a landscape-led approach to designing these spaces would ensure that there would be opportunities for people to go for walks, run and experience nature on their doorstep.

As set out in the First Proposals Local Plan, the Councils were also seeking to bring forward new strategic-scale green spaces as well as development. The nearest area identified to NEC lay immediately north of the A14 between the top of Cambridge, Waterbeach New Town and Northstowe. This could provide a substantial amount of open space to serve not only these developments but also existing communities. These wider proposals fell outside of the AAP area and, due to their more strategic role, would be considered further as the Councils prepared the Greater Cambridge Local Plan. It should also be noted that the majority of new homes at NEC would not come forward until after the Plan period, 20 years from now, so there was opportunity through the Local Plan process to address the strategic open space needs for not only NEC but also Greater Cambridge and therefore not relying on Milton Country Park to meet the recreation, health and well-being of people living in this area.

Question from Daniel Fulton

Mr. Fulton withdrew this question at the meeting.

In response to Councillor Dr. Richard Williams, the Chair confirmed that the three responses he had given to the three public questions had been provided by both officers and Members.

6. North East Cambridge Area Action Plan: Proposed Submission (Regulation 19)

The Scrutiny and Overview Committee considered a report seeking Cabinet support for the Proposed Submission North East Cambridge Area Action Plan (NECAAP) that would establish the policies and proposals advanced by South Cambridgeshire District Council and Cambridge City Council for managing development, regeneration, and investment in North East Cambridge over the next twenty years and beyond. Officers gave a short PowerPoint presentation of the proposals.

Councillor Dr. Claire Daunton was concerned by the lack of any indication of the timeframe for the construction and occupation of the first phase, which incorporated around 4,000 homes. Councillor Daunton also wondered where the alternative site or sites might be If the Development Consent Order failed, and North East Cambridge could not be developed.

Further discussion focussed on six key aspects:

A. Open space on the development and sports provision

While Members broadly welcomed the proposed increased provision of children's play space and informal open space, Councillor Dr. Richard Williams expressed concern about the inclusion as part of that provision of open space within employment areas.

Committee members agreed that the North East Cambridge development could have a negative impact of neighbouring communities and should be required to provide more open space on-site. Councillor Anna Bradnam (a local Member for Milton and Waterbeach) said that recreation space must be provided on site because Milton was already lacking in the level of recreational facilities needed to meet the demand of its own residents.

Regarding the future use of the existing Milton Waste site, it was suggested that the NECAAP should safeguard a route to this area as it could be used as open space in the future.

B. Milton Country Park

The new community would be located on the opposite side of the A14 to Milton Country Park which currently operated at capacity on several days each year. Councillor Judith Rippeth (a local Member for Milton and Waterbeach) said that the park would be overwhelmed unless provision could be agreed via a Legal Agreement under Section 106 of the Town and Country Planning Act 1990 for funding a significant expansion of the park, or of additional informal recreation space at North East Cambridge. Such Section 106 Agreement should also seek to mitigate against any harm to local biodiversity.

It was suggested that a tunnel connecting the development with Milton Country Park should be constructed under the A14. Parkrun had already discontinued use of Milton Country Park because of capacity issues.

C. Connectivity and transport

Committee members regretted that no provision had been made for connecting the development site with the residents and businesses beyond the level crossing on Fen Road by securing a permanent means of crossing the increasingly busy railway tracks. While noting that discussions with Network Rail were ongoing, Members felt that greater urgency was needed. There was a clear need for an additional vehicle access for more than 500 residents and more than 200 staff of businesses in that location.

There was some concern about the amount of parking provision proposed at Cambridge North Railway Station (and how this related to the Trip Budget) and the potential impacts of car parking displacement on adjacent communities, including Milton. Regarding the proposed trip budget, Members challenged assumptions about the use of public transport. Councillor Paul Bearpark (a local Member for Milton and Waterbeach) voiced concerns about congestion along Milton Road and in surrounding areas. He also suggested 'car barns' should be called 'multi-storey car parks'.

D. Health and other facilities

Some members specifically welcomed the provision of health facilities on-site.

E. Water

Regarding the implementation and on-going management of water systems as well as water usage requirements, one member queried whether this had been achieved elsewhere at a scale similar to NEC and whose responsibility was it to maintain water systems. Another member queried about the amount of open space on-site and how much water would be needed to maintain these spaces.

Regarding the Development Consent Order (DCO) for the relocation of the Wastewater Treatment Plant and the provision of water to serve the development, one member questioned whether the Area Action Plan was premature as it is undeliverable.

Regarding the relocation of the Wastewater Treatment Plant (WWTP), one member noted that the AAP was not transparent enough on this issue given the two projects were interrelated.

The report targeted water usage of 80 litres per person per day but even at that level the provision of a reliable, ongoing supply of water could not presently be guaranteed and clarity on how this requirement would be met was needed.

F. Quantum, Building heights and densities

Members generally supported the reduction whilst one member noted that higher heights and densities could have been retained from the draft AAP provided it was well designed.

Regarding the overall quantum of development, one member noted that housing numbers should be reduced as it would have no impact on the emerging strategy for the Greater Cambridge Local Plan.

Other comments

The Scrutiny and Overview Committee recommends that Cabinet

a. Recognises that Milton Country Park is already operating at capacity and that the future strategic open space beyond the Area Action Plan area should be delivered in part through financial contributions from development at North East Cambridge.

b. Recognises the nature of North East Cambridge as a high-density, urban development that should eventually become a part of Cambridge city (unrelated to Milton parish), with a boundary review being considered at the appropriate time.

c. Commits to the provision of an appropriate amount of recreation space onsite with easy access for future residents.

d. Incorporates into the development faith, cultural and community facilities, and workspace for small and start-up businesses (based on demand in the light of changed working practices because of the Covid-19 pandemic).

e. Seeks reassurance that there is adequate provision for future cemetery requirements.

f. Acknowledges the issues around the Fen Road Level Crossing and asks officers to continue to engage further with Network Rail on this matter through the preparation of the Greater Cambridge Local Plan.

7. Housing Revenue Account (HRA) Asset Management Strategy 2021 - 2026: Building Strong Foundations

The Scrutiny and Overview Committee considered a report about the Asset Management Strategy 2021-2026. The Strategy set out the strategic medium and long-term approach to maintaining, improving, and developing the Council's housing assets within the Housing Revenue Account (HRA), and the key priorities for the physical care and improvement of the Council homes and their surrounding environment.

Councillor Peter Fane said that the Council should take a very flexible approach to addressing housing needs not met by the market. The Council must recognise that, even when it did secure 40% affordable housing on new developments, that percentage may subsequently be reduced by viability. In any event those houses were not truly affordable because of market house prices in South Cambridgeshire.

The Council must recognise the need to extend this policy by looking at rural exception sites given there will be few new homes, whether council or market houses, built in smaller communities and thus making it very difficult to maintain the viability and sustainability of those communities in social, economic, and environmental terms.

Members agreed that both Ermine Street Housing and Shire Homes played an invaluable role in enabling the Council to acquire houses and rent them out to those who needed them without necessarily having to own those homes.

Councillor Dr. Claire Daunton highlighted the need for the Strategy to be supported by appropriate staff in terms of both numbers and skills.

Councillor Paul Bearpark called for priority to be given to those residents most at risk of encountering fuel poverty when programming work to insulate Council properties.

The Scrutiny and Overview Committee recommended that Cabinet

a. recognises that the Strategy should seek to maintain not just the fabric of the Council's housing stock but also the estate surrounding that stock.

b. considers buying back the equity share in part-owned homes where that provides good value for money to meet the needs of residents which could offer very much better value for money than seeking to build new houses.

c. Subject to viability, and where the Council proposes to sell land, considers the option of itself building on that land to increase its own housing stock.

8. Audit of Accounts - Update

The Scrutiny and Overview Committee received a report updating Members about progress with the completion of South Cambridgeshire District Council's Final Accounts for 2018-19.

The Head of Finance reported that a meeting had taken place on 3 December 2021 between External Auditors Ernst Young (EY) and officers from South Cambridgeshire District Council. All information required because of that meeting had been passed to EY by 8 December 2021 so that EY then had all the information required to complete the audit.

At Councillor Richard Williams' request, the Head of Finance undertook to notify Scrutiny and Overview Committee members about additional fees incurred by the Council.

9. Work Programme

The Scrutiny and Overview Committee received and noted its work programme for 2021-2022.

10. To Note the Date of the next meeting

Members noted that the next Scrutiny and Overview Committee meeting would be on Tuesday 18 January 2022 at 5.20pm.

Appendix 1

Question from, and written answer to, Jane Williams
Question (Item 6 – North East Cambridge Area Action Plan)

Does the Scrutiny and Overview Committee agree that the NECAAP for the development is premature bearing in mind that it is acknowledged by SCDC and City that Cambridge North East cannot be progressed until a decision has been made by the Planning Inspectorate regarding the proposed relocation of Milton Sewage Works to the Cambridge Green Belt at Honey Hill in close proximity the the villages of Horningsea and Fen Ditton.

It is noted that the NECAAP Reg 19 part 2 pages 2 and 6 shows that the parcel of land where the Anglian Water Milton sewage works are sited that Cambridge City Council are also a landowner within this parcel. How will impartiality regarding the granting of planning permission be ensured should the Planning Inspectorate grant

a DCO for the relocation of the sewage works?
Supplementary question:

NECAAP vision Reg 19 page 33 the map shows housing and businesses abutting the A14. Is it ethical to expect residents and workers to live in close proximity to a highly polluted road,subjecting people to air pollution from exhaust fumes, noise, vibration, dust, light and contamination from runoff and fine particles PM2.5 from vehicle tyres and brakes. PM2.5's and can pose a great risk to human health by absorption through the skin or become deeply embedded in the lungs. It is noted that housing is proposed on the site of the sewage works and dependent on developers remediating contamination from the site. How will the site if brought forward for development be managed, monitored and enforced to ensure there is no risk to human health? Would any committee members live on this site?
Response

The Greater Cambridge Local Development Scheme, adopted in July 2020, sets out the Councils' process for preparing the North East Cambridge Area Action Plan. In respect of the timing of preparing the Proposed Submission AAP, and the reason for that, it says:

"9. Significant government Housing Infrastructure Funding has been secured to facilitate the relocation of the Milton Waste Water Treatment Plant (WTP) which will enable the development of a major brownfield site and comprehensive planning of the North East Cambridge area. Anglian Water proposes that a Development Consent Order (DCO) process will now be undertaken to enable the relocation.

10.The formal agreement by the Councils of the Proposed Submission AAP will be an important factor in the DCO Examination process to demonstrate commitment to development of the area. Therefore, work on the AAP is intended to progress to complete the Regulation 18 stage, consider the responses received and prepare the Proposed Submission AAP. The Councils would make a decision ahead of the DCO Examination to agree the AAP for Regulation 19 publication, but actually carrying out the consultation would be subject to the successful completion of the DCO process, because of the need at Examination to be able to demonstrate that the development proposed on the site could be delivered.

11. It is therefore anticipated that the AAP process would then pause until the outcome of the DCO is known. If successful, the Councils would then proceed with the publication of the Proposed Submission AAP for the making of representations (Regulation 19), following which the AAP would progress to Submission and Examination."

The Councils are complying with and implementing the process and timing set out in the adopted Local Development Scheme, in bringing the Proposed Submission AAP to Members now for agreement ahead of the formal stages of the DCO process progressing in 2022.
Question 2

It is noted that the NECAAP Reg 19 part 2 pages 2 and 6 shows that the parcel of land where the Anglian Water Milton sewage works are sited that Cambridge City Council are also a landowner within this parcel. How will impartiality regarding the granting of planning permission be ensured should the Planning Inspectorate grant a DCO for the relocation of the sewage works?

Response

As defined in the Town and Country Planning Act the councils are the Local Planning Authorities for their area and are required to consider all district level planning applications submitted to them – regardless of whom is the applicant. In making a decision on a development proposal which either falls within council land ownership or being progressed through a development company on behalf of the councils, the application will be robustly considered at the relevant planning committee against the adopted policies. The Council's constitution, and associated standing orders seek to manage all applications where the Council may be the applicant in an open and transparent way – to avoid apparent conflicts of interest. This usually requires that the application is submitted to the Committee for a decision. The redevelopment of land owned by the council is not an unusual process to either planning authority in Cambridge or across the Country.

Question 3 (Supplementary question)

NECAAP vision Reg 19 page 33 the map shows housing and businesses abutting the A14. Is it ethical to expect residents and workers to live in close proximity to a highly polluted road, subjecting people to air pollution from exhaust fumes, noise, vibration, dust, light and contamination from runoff and fine particles PM2.5 from vehicle tyres and brakes. PM2.5's and can pose a great risk to human health by absorption through the skin or become deeply embedded in the lungs. It is noted that housing is proposed on the site of the sewage works and dependent on developers remediating contamination from the site. How will the site if brought forward for development be managed, monitored and enforced to ensure there is no risk to human health? Would any committee members live on this site?

Response

The councils are aware of the environmental constraints both within and adjacent to the Area Action Plan area and as such, have been engaging with the Council's Environmental Health Teams to identify suitable mitigation measures to inform the preparation of the Proposed Submission Area Action Plan. More detail can be found in the North East Cambridge Environmental Health Topic Paper (NECAAPTPEnvironmentalHealth2020v22021.pdf (greatercambridgeplanning.org)). Additionally, the councils have also undertaken a Geo-Environmental Desk Study (https://consultations.greatercambridgeplanning.org/sites/gcp/files/2021-11/NECAAPEDPhase1Geo-EnvironmentalDeskStudyNov21v1.pdf) which relates to land contamination within the AAP area.

The topic paper, study and other environmental evidence published to support the draft AAP last year have informed the preparation of AAP Policy 25: Environmental Protection, which sets out clear requirements any development proposals within the AAP area will need to address to ensure the amenity of sensitive uses, such as new homes, is protected. The granting of any planning applications within the AAP area will likely be subject of planning conditions to ensure that issues such as land remediation are undertaken prior to the commencement of development. This is common practice on sites such as this, and the Council has overseen a similar process recently on the former Bayer site in Hauxton which is now fully developed and occupied following remediation ground works.

The Meeting ended at 8.15 p.m.

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South Cambridgeshire District Council

Report to:	Cabinet Monday 7 February 2022
Lead Cabinet Member:	Cllr Neil Gough, Deputy Leader and Lead Cabinet Member for Strategic Planning and Transport
Lead Officer:	Jeff Membery

Civil Parking Enforcement in South Cambridgeshire

Executive Summary

1. South Cambridgeshire District Council (SCDC) initiated conversations with Cambridgeshire County Council (CCC) and the Greater Cambridge Partnership (GCP) to consider options to tackle illegal and inconsiderate parking in the district. This led to CCC's Highways and Transport Committee agreeing in September 2021 that work could begin to prepare an application to the Department for Transport (DfT) to introduce CPE.

2. The GCP has agreed to cover the capital cost of introducing a new scheme and will cover any operating shortfall for the first 5 years. This is because illegal and inconsiderate parking has a direct impact on congestion.

3. Work to establish the financial model for the scheme has been carried out and SCDC members are now being asked to provide their formal support to CCC to apply to the DfT later this year.

Key Decision

4. Yes

Recommendations

5. It is recommended that Cabinet support an application by CCC to the DfT to introduce Civil Parking Enforcement (CPE) across South Cambridgeshire and grant delegated authority to the Head of Transformation, in consultation with the Lead Cabinet Member for Strategic Planning and Transport, to provide feedback on behalf of the Council to the application for CPE to DfT and the Funding Agreement between CCC and GCP.

Reasons for Recommendations

6. To tackle illegal and inconsiderate parking in the district through a CPE scheme that includes Enforcement Agents issuing penalty notices for illegal parking.

Details

7. CPE in South Cambridgeshire will decriminalise illegal parking and therefore allow the relevant local authority, in this case CCC, to carry out the enforcement activity.

8. Alongside work to progress CPE in South Cambridgeshire, schemes are being progressed in Huntingdonshire and Fenland. All three areas will have different models to meet their individual needs and funding arrangements. The Police, who are currently responsible for parking enforcement, support the introduction of the schemes in all three areas. CPE is already in place in Cambridge City.

9. The GCP support for the scheme will require a funding agreement between CCC and the GCP. SCDC will be consulted as a valued partner but will not be a signatory to the agreement and will therefore not incur any costs.

10. It has already been established that CCC's current CPE back-office operation serving Cambridge City should be expanded to deliver CPE in South Cambridgeshire. This includes enforcement, administration, and debt recovery. This approach will keep costs as low as possible as it utilises existing systems and processes. All income generated from fines will also be retained by CCC to help offset costs.

11. A feasibility study has been completed by CCC to provide the financial modelling for the introduction of CPE in South Cambridgeshire. Table A in this report provides the breakdown.

12. CCC carried out modelling to ensure sufficient enforcement is available and commissioned work to ensure expected income generated is set at a realistic level. This information has been published in a November update to CCC's Highways and Transport Committee.

Table A: Cost of applying and operating the CPE scheme in South Cambridgeshire

-	Year 1	Year 2	Year 3	Year 4	Year 5	**Total**
Expenditure (inc. annual inflation uplift)	£121,000	£125,000	£129,000	£132,000	£136,000	**£643,000**
Revenue income	£71,000*	£95,000	£95,000	£95,000	£95,000	**£451,000**
Deficit (Operational)	**-£50,000**	**-£30,000**	**-£34,000**	**-£37,000**	**-£41,000**	**-£192,000**

*This assumes a gradual increase in number of Penalty Charge Notices issued in year 1. When the scheme is first introduced advisory notices will be used rather than immediately issuing penalty notices.

13. Cabinet should note that expenditure in Table A is based on the full additional costs of administering the South Cambridgeshire scheme. This includes two Enforcement Agents and the vans they need to visit a rural area and debt recovery.

14. CCC's experience shows that the level of penalty notices in an area remains relatively stable and does not tail off as people get accustomed to CPE.

15. CCC will maintain the actual costs of running the scheme and invoice GCP appropriately once income has been deducted. The Enforcement Agents will be part of a wider team so it is expected that there will be flexibility to reduce the level of enforcement if necessary.

16. GCP has agreed to cover the operational deficit of CPE in South Cambridgeshire for the first 5 years. After the 5-year period CCC will be duty bound to pick up these costs, but no formal agreement between GCP and CCC has yet been made. No potential future deficit of the scheme will fall to SCDC as the Council is not the Highway Authority.

17. A Traffic Regulation Order (TRO) review begun in early October 2021 and was completed by the end of the year. This work involved a team visiting each community to assesses the current status of the lines and signs. A report is being created to detail the remedial work required, including costs of work, to ensure restrictions are compliant and enforceable prior to CPE rollout. The review was funded by GCP and they will cover the capital costs of the improvements needed. The actual cost of this is not yet known as costings can only be established after the audit has been carried out and assessed in detail.

18. Following feedback from SCDC members, we are aware of a small number of historical oddities regarding lines and signs exist in the district. For example, there is school signage and lines in Sawston where a school no longer exists. CCC and SCDC officers have agreed to review the remedial list and engage members to try and ensure oddities such as this are picked up so they can be addressed as part of the remedial works.

19. SCDC's initiated conversations with GCP and CCC about CPE and has already stated its in principle support. Financial modelling has now been carried out to assess the viability and deliverability of the scheme and formal support is now sought before an application to DfT.

20. As a valued partner, SCDC will be consulted on a Funding Agreement between CCC and GCP and the application for CPE to DfT. The Funding Agreement will outline responsibilities and financial commitment. GCP's Executive Board will need to formally approve this. SCDC will not need to be a signatory.

21. Enforcement Agents are active 7 days a week for the Cambridge City CPE scheme. Morning and evening enforcement is also carried out. The same approach is envisaged for the South Cambridgeshire scheme, but the enforcement regime will bed in over the first 18 months to fit with what is needed locally. The scheme will also include a reporting route so concerns of illegal parking can be made.

22. SCDC officers are working with CCC officers to see whether it is feasible for Enforcement Agents to leave a standard letter or advice note on vehicles that are parked inconsiderately. This would be done during their normal patrols with the aim of encouraging more considerate parking in the future.

Options

23. Cabinet provides their formal support for an application by CCC to the DfT to introduce CPE across South Cambridgeshire.

24. Cabinet could ask officers to provide further information before making their decision at a future meeting.

25. Cabinet may choose not to support the application to DfT by CCC.

Implications

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

Risks/Opportunities

27. Police capacity to actively enforce illegal parking is limited due to other priorities. If CPE is not pursued illegal and inconsiderate parking is expected to continue and may increase in the future due to the creation of new towns in the district.

Equality and Diversity

CCC will consider equality and diversity during the implementation process.

Climate Change

Illegal and inconsiderate parking is a factor that discourages people from using bicycles and making local journeys by foot. CPE will aid shift to greener forms of transport.

Health & Wellbeing

28. Encouraging more journeys by bicycle and foot has a positive impact on health and wellbeing.

Alignment with Council Priority Areas

Being green to our core

29. CPE supports a reduction in congestion and encourages more environmentally friendly methods of travel

Background Papers

[Cambridgeshire County Council's Highway and Transport Committee 7 September 2021 – agenda item 7]

[Cambridgeshire County Council's Highway and Transport Committee 4 November 2021 - agenda item 9]

Report Author:

Gareth Bell – Communications and Communities Service Manager
Telephone: (01954) 713289

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Agenda Item 7

South Cambridgeshire District Council

Report To: Scrutiny and Overview Committee 18 January 2022

Lead Cabinet Member: Cllr Neil Gough (Deputy Leader)

Lead Officer: Anne Ainsworth (Chief Operating Officer)

2020-25 Business Plan

Executive Summary

1. The Council agreed four key priorities as part of developing the 2019-24 Business Plan. Beneath this sits an Action Plan detailing the activities the Council would carry out under each of the four areas.

2. It was agreed that the Business Plan would be reviewed annually to ensure that priorities are continuing to deliver the outcomes needed for local people. When developing the latest update to the 2020-25 Business Plan, the four priority areas have remained unchanged, but a review has been undertaken on the Action Plan.

3. The plan has been updated and reflects the activity that has been on-going throughout 2021-22 during the ongoing Covid-19 pandemic. It has also been drafted with the recognition that the implications from the pandemic and multiple national lockdowns, will continue to be far-reaching and will require on-going dedicated resource from the Council into the financial year 2022/23.

4. The updated version of the plan for 2022-23 is intended to provide clear priorities and delivery dates. This will make sure the Council can easily track progress and delivery of the agreed actions. This document provides the over-arching framework for priorities and will inform 2022-23 Service Plans.

5. The Plan presented to Scrutiny is still in draft format, and will continue to develop over the coming weeks before a final version is presented to Cabinet and Full Council meetings in February 2022.

Key Decision

6. No

Recommendations

7. It is recommended that Scrutiny and Overview Committee:

(a) Consider the proposed draft 2020-25 Business Plan at **Appendix A** (with the Action Plan primarily focused on delivery 2022-23) and make any recommendations to Cabinet for changes or additions to the Plan.

Reasons for Recommendations

8. The Business Plan outlines clear and measurable actions that the Council will carry out up until 2025 to achieve the overarching priorities, with a focus on activities in 2022-23. The Business Plan is used to ensure officer and financial resources are allocated appropriately to achieve the actions and objectives detailed within it.

Details

9. Actions from the 2020-25 Business Plan that have already been completed are highlighted in the Plan under the different themes, focusing on the outcomes of the last Action Plan for 2021-22.

10. Some other actions agreed in the 2019-24 Business Plan are being progressed in partnership with other organisations. Where these actions are now combined into joint action plans, they are not detailed in the Business Plan. For example, a number of actions are linked to the activities of the Cambridgeshire and Peterborough Combined Authority and Greater Cambridge Partnership.

11. The actions within the Business Plan at **Appendix A** have been split between priorities over the next twelve months of the plan and other longer-term objectives. All priorities proposed for 2022-23 include measures that make sure we can monitor and evaluate progress.

Implications

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

    - The effects of the Covid-19 pandemic – multiple lockdowns have had wide reaching impacts on our communities, businesses and vulnerable individuals. Resource will be required into the financial year 2022-23 to ensure that support continues to be provided to those who need it. This may have implications for some of the timescales within the Action Plan but it is not possible to say at this time what may be affected. The plan has been written based on the information we have at this point in time.
    - Throughout the pandemic, the positive implications for the environment and new ways of working have been documented. Although the Business Plan has a priority to be ‘Green to our Core’, it also reflects the work of the Council to embed environmental issues and considerations within all aspects of our activity.
    - The implications of multiple lockdowns and national restrictions have disproportionately affected some people in our communities more than others. As part of our equality and diversity commitment, the Council has stated within the Plan what direct action we can take to support those who may have been most impacted.

Financial

13. The Council's Business Plan is in line with the Council's draft budget for 2022-23, to ensure that actions can be fully resourced and funded.

Legal

14. None.

Staffing

15. As part of the action plan refresh process, resourcing has been considered to ensure deliverability of Council priorities.

16. There will continue to be demands upon our staffing resources from Covid-19 related activities throughout 2022.

Risks/Opportunities

17. The process of refreshing the Council's Action Plan will improve Business Plan performance reporting for 2022 onwards and ensure resources are clearly focussed towards delivering priorities.

Equality and Diversity

18. The Action Plan reaffirms the Council's commitment to be an employee of choice for people with disabilities. Actions within the Business Plan will require the completion of Equality Impact Assessments for individual projects.

Climate Change

19. One of the four key priority areas within the Business Plan is being 'Green to Our Core'. This priority makes sure that the environment and environmental impacts are at the centre of all the work we do.

Health and Wellbeing

20. The Business Plan and day to day work of the Communities team includes a range of actions aimed at improving the health and wellbeing of the residents and businesses in the district.

Consultation responses

21. A detailed public consultation was carried out in 2019 to develop the four key themes as part of the 2019-24 Business Plan. These four areas remain unchanged.

Alignment with Council Priority Areas

18**.** This process does not change any of the overarching themes but establishes clear priorities falling within each of these for the next business planning period (2022-23).

Background Papers

None.

Appendices

Appendix A: Draft 2020-25 Business Plan Action Grid

Report Author:

Anne Ainsworth – Chief Operating Officer
Telephone: 01954 712920

South Cambridgeshire District Council

Business Plan 2020-25

(Revision 2022-23)

What we're about

Appendix A

Putting the heart into South Cambridgeshire by:

- Helping business to grow
- Building homes that are truly affordable to live in
- Being green to our core
- Putting our customers at the centre of everything we do

Context

The Business Plan for South Cambridgeshire District Council (SCDC) 2020-25 was agreed and published in 2020, before the Coronavirus Pandemic reached the UK and the first lockdown was introduced. The Plan identified four priority areas for the Council to focus on over the next five years, and these priorities remain the same in this annual update.

This plan outlines the actions that will be undertaken during 2022-23 to deliver on the Council's priorities. It also reflects on some of the achievements from the last year and the context within which the Council is currently operating. The plan should be read alongside some other key documents for the Council:

- The Investment Strategy
- The Medium-Term Financial Plan
- The Cambridgeshire and Peterborough Combined Authority (CPCA) Recovery Plan
- SCDC Local Plan 2018
- Zero Carbon Strategy
- Doubling Nature Strategy
- Housing Strategy

And alongside some on-going areas of activity:

- Work to develop the Joint Local Plan and North East Cambridge Area Action Plan
- The Ox-Cam Arc Ambitions

Currently, the Council, like the rest of the Country, is working within the context of an on-going global pandemic and the impact of the UK's decision to leave the EU. As a consequence, it is possible that some of the timescales for activity within this plan may still be affected over the coming months, though we hope this impact will reduce during the first quarter of the delivery period. The resources of the Council, including large numbers of staff, are still engaged with activity related to our response to the pandemic, and what continues to be a very dynamic environment.

The strength of partnerships that have been reinforced throughout the pandemic will be key to the delivery of many of South Cambridgeshire's ambitions over the coming year. The need to support our communities, vulnerable individuals, and businesses in recovering from the impact of the virus will continue to shape delivery over the coming year.

South Cambridgeshire is committed to promoting a Green Recovery, and this is a key theme throughout the Business Plan, not just in the 'Green to our Core' section. The Green Economy offers considerable opportunities to support new and existing businesses, create jobs and use our natural environment to promote healthy living, reduce social isolation and support good mental health.

Our Priority Areas

A) Growing local businesses and economies – We will support businesses of all sizes, including rural enterprise and farming, to help create new jobs and opportunities near to where people live and support the local economy to recover post-pandemic.

B) Housing that is truly affordable for everyone to live in – We will build vibrant communities in locations where people have good access to facilities and transport links, so they can genuinely afford to lead a happy and healthy life.

C) Being green to our core – We will create a cleaner, greener and zero-carbon future for our communities.

D) A modern and caring Council – We will provide our customers with high-quality services, strive to reduce costs, build on what we are good at to generate our own income and make decisions in a transparent, open and inclusive way.

A) Growing local businesses and economies

2022-23 priorities:

Action	Measure
A1) Support Businesses through COVID with help, advice and support for a green recovery that enables them to survive, adapt and grow, and to respond flexibly as the national and local situation develops.	• Implement a Customer Relationship Management system to improve our engagement with, and services for, local businesses (Quarter 3) • Expand our Visit South Cambridgeshire brand alongside wider collaboration with Cambridgeshire and Peterborough partners, to support local businesses. (Quarter 3) • Deliver at least 8 Sector specific events/webinars/support initiatives as part of an ongoing engagement programme (Quarter 4) • Implement a new and improved policy to support the street trading sector across South Cambridgeshire. This policy will ensure high levels of safety compliance and enable the sector to thrive through the introduction of flexible trading models. (implementation by March 2023) • Support the private hire and hackney carriage sector through an updated and improved taxi strategy and policy. These policy measures will contribute to the overall green agenda and support the taxi trade through this transition. Public safety measures will also be progressed including the advancement of taxi

	CCTV provisions. (Implementation over 2022 - 2023 and ongoing)
A2) Develop a District specific skills and training package to ensure career enhancement, and that re-skilling and up-skilling opportunities for residents and business are widely known and accessed. Adjusting the skills and training agenda to mitigate the impact of covid on the local workforce.	• Create an SCDC specific operational/implementation plan based on the Nov 2021 refreshed CPCA Employment and Skill Strategy (Quarter 1) • Develop a formal engagement programme with local schools and employers (Quarter 2)
A3) Deliver support to start-ups and small businesses that is not available elsewhere to help them set up, grow, create new local jobs and deal with the impacts of Brexit	• Hold 8 business support workshops including Retrofit training from ENE project (Quarter 4) • Working with partners, provide business support advice to 100 businesses (Quarter 4) • Complete a feasibility study looking at how South Cambs Hall could be used to provide workspace for businesses, including start-ups (Quarter 2) • Provide a new space for growing small businesses or shared workspace for start-ups or micro businesses (Quarter 4) • Establish an up-to-date list of Business Premises for start-ups (Quarter 2) • Appraise our own commercial inventory (including South Cambs Hall) and investigate meanwhile/partial let use for start-ups during void periods and/or designate space specifically for this purpose (Quarter 4)
A4) Promote SCDC as a vibrant, attractive and commercially welcoming place in which to launch and scale businesses across multiple sectors. Continue to focus on Enterprise Zone development and regional GVA creation, complementing wider activity	• 500 additional jobs created on Enterprise Zones by end of 2024/25 financial year • Submit the planning application for the Northstowe Enterprise Zone (Quarter 4)

	• Complete the strategy for Northstowe Enterprise Zone and begin actively promoting the site to secure new businesses locating there (Quarter 3) • Business Team to engage businesses for the Enterprise Zones (Quarter 1) • Alongside DTI and other colleagues, develop ongoing sector specific narratives to attract, grow and retain high growth sectors in our area (Quarter 4) • Increase rates for recycling and food waste collections for new start-ups and new SMEs within the District (Quarter 4)
A5) Continue to deliver on our Investment Strategy to ensure positive local Economic Development and growth outcomes	• Review our approach to identify new Green Investment opportunities (Quarter 2) • Undertake a market review to inform the development of plot 4010 at Cambourne (Quarter 2)

Ongoing objectives into 2022-23:

- Continue to work with parish councils and village-based businesses to support local economies and communities as part of wider economic recovery work ongoing
- Encourage local people to use their shops and food outlets so that high streets are retained and expanded wherever possible and local, independent businesses are championed
- Continue to work with the CPCA Inward Investment (Growth) Service to ensure Inward investment into our region remains a priority
- Continue to be the voice and advocate for South Cambridgeshire businesses with wider partners and networks (including our Joint Local Plan) and ensure we are adequately represented in key economic policy/decision-making initiatives
- Support Green Council initiatives, ensuring our business community are able to deliver on 2021-2050 net zero objectives. This includes helping with apprenticeship, skills and training support as appropriate to deliver outcomes

South Cambridgeshire District Council

and providing advice to help businesses to understand the benefits of generating their own energy, and wider post COP 26 initiatives and developments

- Support major employers to help homes and jobs be closer together or linked through high quality public transport, walking and cycling routes
- Work with the Police and other agencies through the Community Safety Partnership to tackle crime impacting rural businesses

Actions and achievements completed from the 2021-22 Business Plan

- We increased our Open for Business Newsletter reach to over 2,000 businesses
- We launched a Visit South Cambridgeshire brand alongside wider collaboration with Cambridgeshire and Peterborough partners to support and promote retail, tourism, leisure and hospitality businesses
- 'On Your Doorstep' social media campaign promoted and championed to support local businesses throughout the pandemic
- Hosted a series of 9 webinars and one face to face event ranging from Mental Health support for businesses through procurement, green business, funding opportunities and wider local business partnership support. The latter was a jointly hosted event with the Chambers of Commerce
- Our High Street Support Officer teams visited over 2,000 businesses face to face since the onset of the pandemic
- We have supported 4 businesses in successfully finding their start up premises in South Cambs, 3 of whom were also SCDC growth fund recipients
- We held 9 business support workshops including a growth coaching focus as well as ongoing partnering with the Combined Authority's Growth Works.
- We worked with partners to provide business growth/ support/advice to over 100 businesses
- Developed a fund that supported innovations and start-ups as we start a green post pandemic recovery phase. (102 SCDC business were awarded a pot of £1.383m)
- Development of the Statutory Housing and employment Land Availability Assessment (HELAA) as part of the emerging Greater Cambridge Local Plan (Quarter 2) Milestone completed with publication of the First Proposals of the Joint Local Plan November 2021. Review of evidence base through Local Plan process will continue.
- Distribution of over £38 Million in government grants to support businesses through the Pandemic

B) Housing that is truly affordable for everyone to live in

2022-23 priorities:

Action	Measure
B1) Increase the number of Council homes each year to support people on lower incomes. These will include high energy standards and renewable energy.	• 60 New Homes Completed (acquired or built) this year (part of a plan to double delivery to 350 over a five-year period) (Quarter 4)
B2) Work with local people to set out where and how new homes and communities will be built across the Greater Cambridge area	• Produce a report assessing feedback provided by local people from the Local Plan consultation. This will inform the next steps in the Local Plan process (Quarter 1) • Complete and publish a North East Cambridge draft Area Action Plan for consultation (Quarter 2)
B3) Create and continue to run liaison meetings and forums where significant new developments are being planned to minimise disruption and help new residents settle in	• Continue to support the liaison meetings in Cottenham, Sawston, Hardwick, Caldecote, Swavesey and Barrington and community forums in Northstowe, Waterbeach, North-West Cambridge, Cambridge East, North-East Cambridge and Bourn Airfield and Cambourne (Quarter 4)
B4) Improve the energy efficiency of existing Council housing to reduce carbon impact and running costs	• Produce an Asset Management Plan (Quarter 1) • Commission a Stock Condition Survey including an audit of energy efficiency of existing housing stock relative to zero carbon target (Quarter 2) • Approve a work programme for insulation measures over the next four years to narrow the gap on the zero-carbon target (Quarter 4)

B5) Deliver 2 new sports pavilion, community centre and civic hub (containing health, library and community facilities) at Northstowe	• Complete local engagement to understand what the community wants in the new community centre (Quarter 2) • Submit planning application for the Community Centre (Quarter 2) • Submit planning application for new Civic Hub (Quarter 4)

Ongoing objectives into 2022-23:

- Support the delivery of more affordable housing – and we will seek related external funding to do this wherever possible
- Promote Neighbourhood Plans and encourage our communities to develop them
- Focus on the health and wellbeing of our communities through everything we do, in line with our Health and Wellbeing Strategy
- Provide advice and support to prevent homelessness and help vulnerable people in line with our Homelessness Action Plan
- Provide dedicated support to people in receipt of Universal Credit and other welfare support
- Work with national, regional and local partners to support the needs of refugees

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Actions and achievements completed from the 2021-22 Business Plan

- Completed 47 new Council homes in 2020/21 and remain on track to deliver at least 60 homes in the current year
- Signed contracts to deliver over 100 new Council homes
- Targeted people who are normally underrepresented in consultations to make sure their voice is heard by going to where they are to talk to them, rather than expecting them to come to us
- Invested over £1.5 million in our Council houses to make them more energy efficient
- Supported around 1,000 people on benefits who moved to Universal Credit, including providing funding for a coach to help people into work

- Played an active role in national schemes to rehouse refugees from Afghanistan and Syria
- Agreed a Homeless Strategy to target support to those in the greatest need
- Granted outline planning permission for the first phase of a new town north of Waterbeach
- Completed detailed planning guidance for how the new town north of Waterbeach and new village at Bourn Airfield will develop
- Ensured vulnerable tenants were given the support they needed, and linked into other services available, to help them cope during the pandemic
- Published the First Proposals for the Greater Cambridge Joint Local Plan for consultation setting out where new homes and jobs will take place
- Publishing the regulation 19 draft plan for NEC Area Action Plan setting out a vision for the area
- Carried out 19 liaison forums and 9 community forums to minimise disruption to existing residents and help new residents settle in
- Received planning permission for the new sports pavilion at Northstowe

C) Being green to our core

2022-23 priorities:

Action	Measure
C1) In response to the global climate crisis we will continue to work towards a zero-carbon future by 2050	In line with our Zero Carbon Strategy, we will • identify and deliver further opportunities to reduce carbon emissions from our estate and operations ○ review community rooms and other small sites to identify and deliver opportunities for carbon reduction (Quarter 4)

	• develop planning policies consistent with zero carbon by 2050 for adoption in the Greater Cambridge Local Plan, in partnership with Cambridge City Council (Quarter 4) • identify and deliver opportunities to install publicly accessible electric vehicle charge points in priority locations in the district, working with partners (Quarter 4) • continue to pursue opportunities to invest in green energy schemes (Quarter 4) • Develop carbon reduction targets as part of the Asset Management Strategy (Quarter 3)
C2) Work with partners to protect and enhance the environment with the aim of doubling nature	As outlined in our Doubling Nature Strategy, we will • identify and deliver new opportunities to plant trees, establish wildflower strips and in other ways enhance nature on our own estate, in consultation with residents (Quarter 4) • work to ensure that development in South Cambridgeshire contributes to the goal of doubling nature by developing planning policies for adoption in the Greater Cambridge Local Plan, and by adopting a new Biodiversity Supplementary Planning Document in partnership with Cambridge City Council (Biodiversity SPD Quarter 3) • work with partners to develop landscape-scale habitat creation projects (Quarter 4) • Deliver '6 Free Trees' initiative to increase the amount of tree cover of parish council land, enhancing biodiversity and carbon capture (Quarter 4)

C3) Retrofit our Council Commercial Property including South Cambs Hall with renewable energy generation and energy efficiency measures	• Complete retrofit of Cambourne office (Quarter 2) • Reduce mains gas and electricity demands from our Cambourne office by over 50% per year (from March 2021 onwards compared to baseline in 2019). • Reduce carbon emissions from our Cambourne office by 47% compared to the baseline in 2019 (Quarter 4) • Undertake energy efficiency and generation audits of other Council owned commercial properties (Quarter 4)
C4) Continue to transition to electric vehicles for the waste service, including the investigation of on-site solar panel energy generation	• Define and implement required improvements at the depot to prepare for further electric refuse collection vehicle (eRCV) charging (Quarter 4) • Procure up to 3 eRCVs to replace diesel version (Quarter 4) • Develop outline business case for on-site solar PV energy generation with partners to aid the charging of vehicles (Quarter 4)
C5) Support Parish Council and community group projects to reduce reliance on fossil fuels, move toward the zero-carbon target and help Double Nature through habitat enhancement, advisory support for community land acquisition, local green space designation and tree-planting	• Deliver fourth round of funding through our Zero Carbon Communities grant scheme, awarding grants totalling £100,000 to community-based projects (Quarter 4) • Continue to strengthen the Zero Carbon Parish and Community Network through our programme of workshops, web-based resources and e-bulletins for community-based zero carbon and nature recovery initiatives (Quarter 4 - at least 6 workshops to be delivered)
C6) Upgrade our stock of 1,800 streetlights to LED, which will reduce energy consumption and save Parish Councils money	• Install energy saving LED fittings in remainder of council owned streetlights (ornate lights) to bring them in line with standard lights already upgraded (Quarter 4)
C7) Adopt and review key actions arising from the Air Quality Strategy in relation to monitoring air pollution within statutory objectives; reduce air quality impacts from future	• Submit annual statutory reporting to DEFRA on-time; monitor air quality in at least 6 targeted areas utilising portable equipment; compile report following each

developments in growth areas; public engagement to reduce air quality impacts	monitoring period and publish this on the council's website (Quarter 4) • Provide required technical inputs to consultations on major developments to ensure good air quality is experienced (Quarter 4) • Subject to air quality monitoring results, explore the feasibility of creating a Public Space Protection Order (PSPO) specifically targeting idling vehicles (Quarter 4)
C8) Improve recycling and reduce waste at community events	• Provide equipment and information kit to minimise waste and separate recycling at community events - at least 12 kits to be issued (Quarter 4)
C9) Review of service and development of a plan to address the outcomes of the New Environment Bill, to include: • Food waste service • Impact of the Bill on dry recycling • Working with RECAP on a shared county-wide approach to implementation	• Review impact and outcomes of existing food waste collection trial and determine future of the scheme including budget requirements (Quarter 3) • Develop feasibility plan for the wider role out of separate food waste collection in line with the Environment Bill and National Waste Strategy (Quarter 3)
C10) Reduce the amount of non-recyclable household waste collected	• Develop campaigns to improve recycling based on the outcomes of the waste composition analyses (Quarter 3) to achieve key targets: monthly average of 17.08kg dry recycling per household; monthly average of 34.17kg of residual waste or below per household; monthly 6% or below rate of ejection from the recycling materials processed at the Materials Recycling Facility
C11) Run a pro-recycling & food waste promotional campaign aimed at businesses in the area throughout 2022/23	• Reporting of all sites (existing and new) that take up recycling / food bins & note our increased volumes / tonnes collected with associated savings. (On-going/Quarter 4)

C 12) Take action to minimize fly tipping	• Install trial cameras at 6 locations and monitor numbers of visits required at those sites to establish a baseline (Quarter 4) • Deliver targeted educational campaign in the area about fly tipping and increase awareness of responsible methods for disposal. To include the delivery of at least 12,000 leaflets (Quarter 4)

Ongoing objectives into 2022-23:

- Promote walking, cycling and public transport improvements through planning decisions and by working with local communities and partners
- Influence the planning of new major transport routes, such as the proposed East West rail line, to ensure the environment is fully considered and a net gain to natural capital is delivered
- Support homeowners to upgrade the environmental performance of historic buildings through planning advice and guidance
- Promote effective implementation of supplementary planning guidance supporting low carbon developments
- Strengthen the ability for local communities to deliver on local environmental ambitions and priorities included in the Zero Carbon and Doubling Nature Strategies
- Work with communities and partners to combat environmental crimes, such as fly-tipping and deter fly-tipping at locations where it happens frequently
- Reduce waste and raise awareness by promoting recycling
- Encourage the expansion of electric vehicle charging points across our sub-contractors and partners
- Explore the expansion of electric vehicle charging points in sheltered housing schemes

Actions and achievements completed from the 2021-22 Business Plan

- Held a local Climate Summit

- First phase of installation of LED fittings in all council owned streetlights to be completed by March 2022 (standard light poles) and achieved already a 60% reduction in energy consumption of streetlighting for Parish Councils
- Delivered a third round of funding through our Zero Carbon Communities grant scheme, awarding grants totalling £100,000 to community-based projects; continued to strengthen the Zero Carbon Parish and Community Network through our programme of workshops, web-based resources and e-bulletins for community-based zero carbon and nature recovery initiatives
- Ran an anti-fly tipping campaign that reached over 40,000 people and resulted in significant increase in reported incidents and increased tonnages collected
- Improved the way we plan our street sweeping and introduced a system so residents know when we will be coming to their area
- Created a new Planning document that encourages development to be more environmentally friendly
- Introduced one electric bin lorry and two small vans into the fleet
- Installed 4 additional charge points for staff/visitors at Waterbeach depot
- A survey of trees on council owned open spaces was completed in three of four sections; fourth section to be completed by March 2022
- Required enhancements made at the depot to enable on-site charging for two new electric refuse collection vehicles by March 2022
- Report issued to CEAC on the air quality monitoring network; Air Quality Strategy developed; air quality monitoring equipment deployed to monitor quality at defined location -additional equipment on order and should be in place by March 2022 - to be deployed in growth areas
- Published a resource toolkit for community groups and parish councils to improve recycling and reduce waste at community events; issued 11 community litter picking kits for events
- Delivered three-pronged social media campaign on waste prevention and reduction
- 54 parish councils accepted the offer for 3 Free Trees and 162 trees were planted
- 72 applications were received from parish councils for the 6 Free Trees scheme for 2022
- Published First Proposals Local Plan setting out ambitious targets for reduced water usage, building in climate resilience, supporting low carbon development options and highlighting opportunities for strategic scale landscape and biodiversity enrichment.
- Continued weekly separate food waste collection trials; now covering circa 10,000 homes weekly collections; undertook waste compositional analysis to identify food waste in bins - Waiting for final report to be published

D) A modern and caring Council

2022-23 priorities:

Action	Measure
D1) Make sure that the Council is structured and appropriately resourced to deliver the ambitions of our communities	• Complete 3 service reviews as part of a plan to complete reviews of all services by the end of 2023 (Quarter 4) • Review employment policies relating to recruitment and retention (Quarter 3)
D2) Review recruitment processes to attract and retain the best talent and ensure that we are an employer of choice	• Complete and analyse a staff satisfaction survey (Quarter 3) • Introduce hybrid working arrangements further increasing our attractiveness as an employer (Quarter 2) • Introduce a modular management skills program for middle managers (Quarter 2)
D3) Generate income through delivering the Council's investment strategy	• Income from investments and other commercial activity to be at least 25% of our Taxation and Central Government Grant income by 2023/24
D4) Make it easier for customers to access and carry out transactions online	• Make a further 12 services available for customers to self-serve online (Quarter 3) • Provide an integrated portal for businesses to access SCDC online services (Quarter 2)
D5) Council and committee meetings will be run paper-free wherever possible	• Councillors to be provided with increased access to Teams and Office 365 enabling file sharing and collaboration. (Quarter 1)

D6) Work with communities and individuals to tackle issues that are affecting them locally	• Use the Council's Community Led Plan toolkit to support local communities identify, plan and address the issues they identify in their communities (Quarter 4) • Support 150 new clients through the housing department's visiting support service (Quarter 4) • Provide the lifeline service to 100 new users during the year (Quarter 4) • Spend £500,000 in total in the form of disabled facilities grant and repairs grant to allow people to live independently and safely in their homes (Quarter 4) • Prevent homelessness for at least 50% of the people who approach us who are at risk of becoming homeless throughout the year, and offer support to those who are homeless (Quarter 4) • Continue the proactive working relationship with the job centre in delivering mentoring circles plus upskilling and cross training initiatives throughout the year (Quarter 4) • To complete a survey of all council tenants to better understand their priorities and to be able to compare satisfaction with other organisations (Quarter 1) • Adopt an Empty Homes Strategy (Quarter 1)
D7) Ensuring that our homes are safe places for our tenants and their families.	• 100% compliance with landlord safety checks to council housing including, electrical safety, gas installations and where appropriate fire risk assessments and water safety tests
D8) Assess current mobile home sites and ensure all are licenced correctly	• Refresh caravan site licencing policy, fees and charges (Quarter 2). The new policy will ensure that caravan

	sites are inspected periodically and that residents have suitable housing provision.

Ongoing objectives into 2022-23:

- Expand and grow our commercial services
- Develop and support Councillors and officers to ensure that they can best serve our communities
- Create an organisational culture to deliver continuous improvement
- Continue to work with public sector partners and a network of parish councils and voluntary groups to support the most vulnerable people in the district and our businesses throughout the response phases of the Covid-19 pandemic

Actions and achievements completed from the 2021-22 Business Plan

- Successfully filled at least 70% of jobs advertised through first round of recruitment
- Achieved Level 1 and 2 of the Disability confident standard
- Paper free cabinet meetings were held through the year
- 7 new Mobile warden schemes delivered
- Updated and published the council's Equality Scheme and raised awareness of key events and weeks throughout the year to help promote equality and deliver on our business plan objectives
- Delivered 10 new services available for customers to self-serve online
- Call back service for enquiries as part of implementation of new telephony system
- Apprenticeship Strategy reviewed and strengthened
- Completed service review of Revenues and Benefits
- Launched a new toolkit to help communities take forward Community Led Plans to address the issues they feel are important to them as we recover from the pandemic
- Worked with 13 areas of the district that have been more prone to flooding to provide training and create a local flood plan where the community required it

Note: The Quarters referred to under the Measures relate to the financial year.
Quarter 1 – April to June
Quarter 2 – July to September
Quarter 3 – October to December
Quarter 4 – January to March

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South Cambridgeshire District Council

REPORT TO:	Scrutiny & Overview Committee	18 January 2022
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.

Key Decision

2. This is not a key decision.

Recommendation

3. That Scrutiny & Overview Committee is requested to consider and comment on the report that invites Cabinet, at its meeting on 7 February 2022, 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.

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 2021/2022 budget setting process having regard to established guidance and best practice and, as such, only minor updates are required. An updated version is attached at **Appendix A** with the proposed changes to the version approved by Council on 23 February 2021 identified in red and crossed through text.

Treasury Management Policy Statement

9. The adopted Treasury Management Strategy incorporates a Treasury Management Policy Statement. This is reproduced below and it is considered that it will remain appropriate and applicable during 2022/2023:

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.

Options

11. 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.

12. 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

13. 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

14. 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.

15. 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 7 February 2022 for onward approval by Council on 22 February 2022.

Legal

16. 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.

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

18. 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

19. 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

20. 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

21. 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

22. 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.

23. 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:

- HM Treasury Document entitled "Public Works Loan Board: future lending terms – Response to the consultation" issued on 25 November 2020.
- General Fund Budget Report – Report to Cabinet: 3 February 2021
- General Fund Budget – Report to Council: 23 February 2021
- Medium Term Financial Strategy – Report to Cabinet: 6 September 2021
- Medium Term Financial Strategy – Report to Cabinet: 23 September 2021
- Treasury Management Annual Report 2020/2021 – Report to Audit and Corporate Governance Committee: 28 September 2021
- Mid-Year 2020/2021 Treasury Management Report – Report to Audit and Corporate Governance Committee: 1 December 2021
- Investment Strategy– Report to Cabinet: 6 December 2021

Appendices

A Treasury Management Strategy

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APPENDIX A

TREASURY MANAGEMENT STRATEGY

FEBRUARY ~~2021~~ 2022

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 ~~2021/2022~~ 2022/2023.

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~~ reasons are considered in a different report called the Investment Strategy which was ~~will also be~~ considered by Cabinet on ~~3~~ 6 ~~February 2021~~ December 2021 for onward approval by Council on ~~23 February 2021~~ 22 February 2022.

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~~ 2022, the Council held ~~£224~~ £250 million of borrowing and ~~£121~~ £125 million of investments. The Council is committed to further short term borrowing of £~~25~~ 15 million by year end. This portfolio is set out in 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 ~~2021/2022~~ 2022/2023.

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 by Cabinet on ~~7 December 2020~~ 6 December 2021 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 ~~2021/2022~~ 2022/2023 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 ~~2021/2022~~ 2022/2023, 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 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~~ £134.8 million and ~~£87.3~~ £103.8 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~~. will reduce in the forthcoming year as these figures included Government Covid Grants prior to redistribution.

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 **Strategy:** To achieve the objective above the Council has set a target based on CPI inflation (November CPI is 5.1%). The aim is to exceed the Bank of England's target of 2% ~~will ensure spending power of the sum invested~~. while maintaining security and liquidity. Inflation is expected to peak at 6% in April 2022 and then subside.

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.

10.4 **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.

10.5 **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**.

10.6 **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.

10.7 **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.

10.8 **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.

10.9 **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.

10.10 **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.

10.11 **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.

10.12 **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.

10.13 **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.

10.14 **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.

10.15 **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.

10.16 **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.

10.17 **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.

10.18 **Investment Limits:** The revenue reserves available to cover investment losses are forecast to be ~~£18 million on 31 March 2021~~ £** million on 31 March 2022 (to be confirmed at the meeting). 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.

10.19 **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	2022/2023	2023/2024	2024/2025
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	£7 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 measured against year on year inflation as part of the Annual Review.~~ In light of the current level of CPI (5.1% in the 12 month period to November 2021 and expected to peak at 6%) it is unrealistic to achieve yields in line with actual CPI inflation while maintaining security and liquidity. The target has, therefore, been retained at the Bank's target level of 2%. This will, however, need to be kept under regular review given the current uncertainties over future inflation trends.

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 ~~2021/2022~~ 2022/2023. 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

- **COVID-19 vaccines.** These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope.

  In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working, similar to the pingdemic in July. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid. However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.
- With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.
- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.

- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.
- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- Covid remains a major potential downside threat in all three years as we ARE likely to get further mutations.
- How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under QE ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

MPC meeting 16h December 2021

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

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

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

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

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

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

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

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

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

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

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

- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only **a "modest tightening"** in policy will be required, it cannot be thinking that it will need to increase interest rates that much more.

A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. “Modest” seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.

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

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

- **The MPC’s forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
  Raising Bank Rate as “the active instrument in most circumstances”.
  Raising Bank Rate to 0.50% before starting on reducing its holdings.
  Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
  Once Bank Rate had risen to at least 1%, it would start selling its holdings.

- **US.** Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, **CPI inflation hit a near 40-year record level of 6.8%** but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decades high.

- **Shortages of labour** have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed’s 2% central target.

- Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the **Fed’s meeting of 15th December** would take aggressive action against inflation. Accordingly, the rate of tapering of monthly $120bn QE purchases announced at its November 3rd meeting. was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – “maximum employment”. The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was also significant was that this month the Fed dropped its description of the current level of inflation as being “transitory” and instead referred to “elevated levels” of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent “for some time”.

It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures. *See also comments in paragraph 3.3 under PWLB rates and gilt yields.*

- **EU.** The slow role out of vaccines initially delayed **economic recovery** in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.

- **November's inflation figures** breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to *persistently* higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB's target of 2% and it is likely to average 3% in 2022, in line with the ECB's latest projection.

- **ECB tapering.** The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB's target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.

- The ECB will now also need to consider the impact of **Omicron** on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.

- The EU has entered into a **period of political uncertainty** where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.

- **CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.

- However, the pace of economic growth has now fallen back in **2021** after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The **People's Bank of China** made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.

- Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

- **JAPAN.** 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.

- The Bank of Japan is continuing its **very loose monetary policy** but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.

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

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

Interest Rate Forecasts 2021 – 2025

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

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

Annex B

Capital Programme & Financing: 6 December 2021

£'000	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Capital expenditure:					
General Fund	30,902	29,930	43,808	43,487	33,472
HRA	15,987	20,170	28,337	23,681	17,881
Third Party Loans - ESH	12,350	10,000	-	-	-
Total Capital Expenditure	**59,239**	**60,100**	**72,145**	**67,168**	**51,353**
Resourced By:					
Capital Receipts	(3,707)	(5,106)	(10,134)	(7,133)	(4,128)
Other Contributions	(21,267)	(21,194)	(32,311)	(28,185)	(17,225)
Total Available Resource for Capital Financing	**(24,974)**	**(26,300)**	**(42,445)**	**(35,318)**	**(21,353)**
Unfinanced Capital Expenditure	**34,265**	**33,800**	**29,700**	**31,850**	**30,000**

Actual Portfolio: 6 January 2022

	Actual Portfolio £m
External borrowing:	
Public Works Loan Board	205.1
Local Authorities	45
LOBO loans from banks	Nil
Total external borrowing	**250.1**
Other long-term liabilities:	
Finance Leases	Nil
Total other long-term liabilities	**Nil**
Total gross external debt	**250.1**
Treasury investments:	
Banks & building societies (unsecured)	25.5
Ermine Street Housing	87.6
Cambourne Town Council	0.5
Money Market Funds	6.9
Registered Social Landlords	3.5
Cambridge Leisure and Ice Centre	2.4
Total treasury investments	**126.4**
Net debt	**123.7**

Note: all values are on a principal/nominal basis

Annex C

Medium Term Forecasts: 6 December 2021

TO BE UPDATED

	31.3.2021 Actual £m	31.3.2022 Estimate £m	31.3.2023 Forecast £m	31.3.2024 Forecast £m	31.3.2025 Forecast £m
General Fund CFR	336.7	370.5	400.2	432.1	462.1
Less: Other debt liabilities					
Loans CFR	336.7	370.5	400.2	432.1	462.1
Less: External Borrowing	249.1	265.1	294.8	326.7	356.7
Internal (over) borrowing	87.6	105.4	105.4	105.4	105.4
Usable Reserves	68.2	65.0	61.7	58.6	55.4
Working Capital	35.8	26.8	27.0	27.2	27.4
Minimum Liquidity	7.0	7.0	7.0	7.0	7.0

Projections are based on the latest Capital Programme but will need updating for the capital programme to be submitted to Full Council on 22 February 2022. Usable Reserves and Working Capital figures for revised position in 2021/2022 and future years not yet available.

Annex D

Liability Benchmark

[TO BE UPDATED]

	31.3.2021 Actual £m	31.3.2022 Estimate £m	31.3.2023 Forecast £m	31.3.2024 Forecast £m	31.3.2025 Forecast £m
Loans CFR	336.7	370.5	400.2	432.1	462.1
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 Liquidity	7	7	7	7	7
Liability Benchmark	195.0	265.1	316.6	383.0	435.7

Annex E

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

Annex G

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
Standard Chartered Bank	Using Link Asset Services Credit Criteria	UK Domiciled Bank	10m
Goldman Sachs International Bank	Using Link Asset Services Credit Criteria	UK Domiciled Bank	5m
SMBC Bank International PLC	Using Link Asset Services Credit Criteria	UK Domiciled Bank	5m

Name	Council's Current Deposit Period	Category	Limit (£)
Ultra-Short Dated Bond Funds: Aberdeen Standard Life Federated Hermes 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 Aviva Investors Liquidity Funds 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
Cambourne Town Council	TBC	Loan	0.5m

Annex H

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

Agenda Item 11

South Cambridgeshire District Council

REPORT TO:	Scrutiny & Overview Committee	18 January 2022
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 7 February 2022, to recommend to Council the updated Capital Strategy attached at <u>Appendix A</u> to the report which sets the policy framework for the development, management and monitoring of capital investment, including 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 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 23 February 2021.

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. A review of the strategy has identified some minor updates to the Capital Strategy as follows:

- The requirement to provide an Infrastructure Funding Statement for the preceding year. The latest statement was produced for 2020/2021 during December 2021 and a link to that document is provided within the strategy

- The need to reflect the focus of the Investment Strategy towards Commercial and Service Investment and, in particular, the presumption against the acquisition of commercial assets primarily for yield having regard to prevailing rules in relation to local authority borrowing.

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

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

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 are 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. The Investment Strategy was reviewed in response to new borrowing rules for commercial investments introduced from 26 November 2020 and an updated version was considered by Scrutiny & Overview Committee on 11 November 2021 prior to consideration by Cabinet at its meeting on 6 December 2021. The updated Strategy is scheduled to be considered by Council at its meeting on 22 February 2022.

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. Good governance means that proper arrangements are 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

18. 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

19. 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

20. 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

21. 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

22. 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

23. 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

24. 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.

25. 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
- HM Treasury Document entitled "Public Works Loan Board: future lending terms – Response to the consultation" issued on 25 November 2020.
- Medium Term Financial Strategy – Report to Cabinet: 7 December 2020
- Medium Term Financial Strategy – Report to Council: 23 February 2021
- Capital Strategy – Report to Cabinet: 3 February 2021
- Capital Strategy – Report to Council: 23 February 2021
- Investment Strategy – Report to Scrutiny & Overview Committee: 11 November 2021
- Investment Strategy – Report to Cabinet: 6 December 2021

Appendices

A Capital Strategy

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Capital Strategy

FEBRUARY ~~2021~~ 2022

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 ~~2020-2025~~ 2021-2026 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 ~~2020-25~~ 2021-2026 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 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 Although the Council has commercial property investments, housing continues to make up the Council's largest asset, so ~~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, and other loans for commercial & service investment purposes, offer 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, rent 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.

- **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~~ in 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 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 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 External contributions include Section 106 developer contributions and CIL. Local Authorities in receipt of CIL or S106 contributions must now produce an Infrastructure Funding Statement (IFS) as a result of recent changes to legislation - the Community Infrastructure Levy (Amendment) (England) (No.2) Regulations 2019. It sets out income receivable and how the money is being spent or plans to be spent. A link to The Council's IFS is included in the Strategy.

6.6 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.

6.7 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.

6.8 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.

8.8 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.

8.9 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 us

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 was to invest in commercial assets to achieve a positive financial return, however, following the PWLB consultation response of November 2020 there is now a presumption against investments made purely for yield. The capital programme currently assumes spend of £173 million between 2021/2022 and 2026/2027. This will be reviewed annually in light of progress against the Strategy and availability of potential investments that meet the new criteria. This Investment Strategy still continues to be important to the Council's capital investment plans and to the ongoing financial resilience of the authority.

9.4 With financial return of the existing investments 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 investment decisions and compliance 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 ~~14~~ 15 years' experience. The Head of Finance is a qualified accountant and has ~~27~~ 28 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: [2022/2023 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:

  https://www.scambs.gov.uk/your-council-and-democracy/performance-and-plans/our-investment-strategy/

- Treasury Management Strategy: [Draft document to be considered at the meeting]

- Infrastructure Funding Statement

  [Link to be inserted]

- 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.

	2020/2021 Actual £000	2021/2022 Forecast £000	2022/2023 Forecast £000	2023/2024 Forecast £000	2024/2025 Forecast £000
Capital Expenditure	59,239	60,100	72,145	67,168	51,353

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.

	2020/2021 Actual £000	2021/2022 Forecast £000	2022/2023 Forecast £000	2023/2024 Forecast £000	2024/2025 Forecast £000
Capital Financing Requirement	336,734	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx

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.

	2020/2021 Actual £000	2021/2022 Forecast £000	2022/2023 Forecast £000	2023/2024 Forecast £000	2024/2025 Forecast £000
Debt (including Leases)	249,123	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx
Capital Financing Requirement	336,734	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx
Difference	87,611	xx,xxx	xx,xxx	xx,xxx	xx,xxx

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.

	2020/2021 Limit £000	**2021/2022 Limit £000**	**2022/2023 Limit £000**	**2023/2024 Limit £000**
Authorised limit – borrowing	433,693	xxx,xxx	xxx,xxx	xxx,xxx
Authorised limit – other long term liabilities	-	-	-	-
Authorised limit – total external debt	433,693	xx,xxx	xx,xxx	xx,xxx
Operational boundary – borrowing	428,693	xxx,xxx	xxx,xxx	xxx,xxx
Operational boundary – other long term liabilities	-	-	-	-
Operational boundary – total external debt	428,693	xx,xxx	xx,xxx	xx,xxx

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 the revenue support grant, business rate redistribution, council tax and collection fund surplus share).

	2020/2021 Actual £000	**2021/2022 Forecast £000**	**2022/2023 Forecast £000**	**2023/2024 Forecast £000**	**2024/2025 Forecast £000**
Financing Costs	59	191	407	x,xxx	x,xxx
% of Net Revenue Stream	0.2	0.9	1.9	x.x	x.x

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.

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Scrutiny and Overview Committee Work Programme 2021-22

Meeting date	Potential Agenda item (subject to prioritisation by Chair and Vice Chair)	Task and Finish/Working Groups
Every meeting	Selected Key Decision items prior to Cabinet Selected Non-Key Decision items prior to Cabinet Work programme Feedback from task and finish groups	
22 June 2021	• Private Sector Housing Policy (Environmental Health: Enforcement and licensing) – Chair has confirmed (30 March 2021) the committee will consider this item. Officers (Lesley Beever and Trevor Nicoll) have been informed (30 March 2021) • Q4 Performance	
20 July 2021	• To adopt the Local Government (Miscellaneous Provisions) Act 1982 to enable Street Trading controls to be applied District-wide. Adoption of the Act District-wide, together with designating the whole of the District (with the exception of the A11 and A14), would enable a new Street Trading Policy to be implemented which would be fair, consistent and equitable across the District. This would give the Licensing Authority greater control over street trading and would ensure that all traders are subject to the same application, enforcement, and conditions regardless of where they trade in the District. • Recovery Plan	
14 Sept 2021	Cancelled	

21 Sept 2021	• Greater Cambridge Local Plan: Preferred Options (Regulation 18) – For consultation	
14 October 2021	• NEC AAP Delivery report • MTFS	
11 Nov 2021	• Planning performance (referred by Council motion) • Investment strategy • Empty homes strategy	
16 Dec 2021	• North East Cambridge Area Action Plan: Proposed Submission (Regulation 18) • HRA asset management • Audit of accounts update	
18 Jan 2022	• Business Plan • Civil parking enforcement • GF Budget • HRA Budget • Treasury Management Strategy • Capital Strategy	
Mar 2022	• Ermine Street Housing – review of Business Plan • Q3 Performance Report • Interim position statement – First Homes	
April 2022	•	
May 2022	•	

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NOTICE OF KEY AND NON KEY DECISIONS

South Cambridgeshire District Council

To be taken under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 from Start/Valid/Date

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
Patrick Adams on 01954 713408 or by e-mailing Patrick.Adams@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 Neil Gough	Deputy Leader, Strategic Planning & Transport and Transformation & Projects
Councillor John Batchelor	Housing
Councillor Bill Handley	Community Resilience and Health & Wellbeing
Councillor Tumi Hawkins	Planning Policy and Delivery
Councillor Peter McDonald	Business Recovery
Councillor Brian Milnes	Environmental Services and Licensing
Councillor John Williams	Finance

Key and non-key decisions expected to be made from 1 January 2022

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
North East Cambridge Area Action Plan: Proposed Submission (Regulation 19) Key	To agree the North East Cambridge Area Action Plan.	Cabinet	10 January 2022		Lead Cabinet member for Planning Julian Sykes, Principal Planning Policy Officer	Report (publication expected 2 January 2022)
HRA Asset Management Strategy 2021-2026 Key	Approval of the Strategy	Cabinet	07 February 2022		Lead Cabinet member for Housing Peter Campbell, Head of Housing	Report (publication expected 28 January 2022)
Annual Equality Scheme Update and Progress Report Non-Key	Review progress towards the equality objectives set out within the Council's Equality Scheme 2020-24.	Cabinet	07 February 2022		Deputy Leader Kevin Ledger, Senior Policy and Performance Officer	Report (publication expected 28 January 2022)

Biodiversity Supplementary Planning Document Key	Adopt the SPD as written or propose new amendments.	Cabinet	07 February 2022		Lead Cabinet member for Planning John Cornell, Natural Environment Team Leader	Report (publication expected 28 January 2022)
Authority Monitoring Report 2020-21 Non-Key	The Authority Monitoring Report (AMR) describes progress against the Local Development Scheme and monitors the impact of planning policies included in the development plan documents.	Cabinet	07 February 2022		Lead Cabinet member for Planning Mark Deas, Senior Policy Planner	Report (publication expected 28 January 2022)
Civil Parking Enforcement in South Cambridgeshire Key	To support Cambridgeshire County Council making an application to the Department for Transport to introduce Civil Parking Enforcement across South	Cabinet	07 February 2022		Deputy Leader Gareth Bell, Communications Manager	Report (publication expected 28 January 2022)

	Cambridgeshire.					
Acquisition 60 Affordable Homes and Commercial Unit at Northstowe 2B Key	Approval to acquire 60no. affordable rented properties to be delivered as council homes and adjoining commercial space.	Cabinet	07 February 2022		Lead Cabinet member for Housing Kirstin Donaldson, Head of New Build	Report (publication expected 28 January 2022)
Acquisition 34 Affordable Homes, Gamlingay Key		Cabinet	07 February 2022		Lead Cabinet member for Housing Kirstin Donaldson, Head of New Build	Report (publication expected 28 January 2022)
General Budget Fund 2022/23 Non-Key	Consider the General Fund Revenue Budget for 2022/23.	Cabinet	07 February 2022		Lead Cabinet member for Finance	Report (publication expected 28 January 2022)
Housing Revenue Account Budget 2022/23 Non-Key	Consider the Housing Revenue Account Budget for 2022/23.	Cabinet	07 February 2022		Lead Cabinet member for Finance	Report (publication expected 28 January 2022)

Capital Investments Programme 2022/23-2026/27 Non-Key	Consider the Council's Capital Programme.	Cabinet	07 February 2022		Lead Cabinet member for Finance	Report (publication expected 28 January 2022)
Treasury Management Strategy Non-Key	Consider a refreshed version of the Strategy for adoption by the Council.	Cabinet	07 February 2022		Lead Cabinet member for Finance	Report (publication expected 28 January 2022)
Capital Strategy Non-Key	Consider a refreshed version of the Strategy for adoption by the Council.	Cabinet	07 February 2022		Lead Cabinet member for Finance	Report (publication expected 28 January 2022)
Local Council Tax Support Non-Key	Review the Localised Council Tax Support (LCTS) scheme for 2021/22 and agree the LCTS scheme for 2022/23.	Cabinet	07 February 2022		Lead Cabinet member for Finance	Report (publication expected 28 January 2022)
Review of Revenue Reserves and Provisions	Review the Council's Revenue Reserves and	Cabinet	07 February 2022		Lead Cabinet member for Finance	Report (publication expected 28 January 2022)

Non-Key	Provisions as part of the 2022/2023 budget setting process.					
Medium Term Financial Strategy Non-Key	Review and ensure that Council is aware of the financial challenges over the medium-term.	Cabinet	07 February 2022		Lead Cabinet member for Finance	Report (publication expected 28 January 2022)
Council's Business Plan 2022-23 Non-Key		Council	22 February 2022		Leader of Council Anne Ainsworth, Chief Operating Officer	Report (publication expected 28 January 2022) Report (publication expected 14 February 2022)
Pay Policy Statement Non-Key	To publish the Pay Policy Statement for 2021/22 as required by the Localism Act 2011.	Council	22 February 2022		Lead Cabinet member for Finance Jeff Membery, Head of Transformation	Report (publication expected 6 January 2022) Report (publication expected 14 February 2022)
Housing Repairs - Award of Contract	To confirm the decision to award the repairs	Council	22 February 2022	Part or all of the report may be exempt by virtue	Lead Cabinet member for Housing	Report (publication expected 14

Key	contract to the 'winning' bidders.			of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972	Peter Campbell, Head of Housing	February 2022)
Ermine Street Housing - Review of the Business Plan Non-Key	For Cabinet to consider and receive the report.	Cabinet	22 March 2022		Lead Cabinet member for Housing Duncan Vessey, Head of Ermine Street Housing	Report (publication expected 14 March 2022)
Q3 Performance Report Non-Key	This report forms the basis of our quarterly performance reporting activities.	Cabinet	22 March 2022		Deputy Leader Kevin Ledger, Senior Policy and Performance Officer	Report (publication expected 14 March 2022)
Interim Position Statement - First Homes Key	To approve the Council's interim position in terms of the provision of First Homes as part of the affordable housing contribution on S.106 sites.	Cabinet	22 March 2022		Lead Cabinet member for Housing Julie Fletcher, Head of Housing Strategy	Report (publication expected 14 March 2022)
Renewal of Home Improvement	To agree to the renewal of the	Cabinet	22 March 2022		Lead Cabinet member for	Report (publication

Agency Service Level Agreement Key	Home Improvement Agency Service Level Agreement.				Housing Julie Fletcher, Head of Housing Strategy	expected 14 March 2022)
Small Land Sales Key	To approve the HRA Small Lane Sales Policy.	Cabinet	22 March 2022		Lead Cabinet member for Housing Julie Fletcher, Head of Housing Strategy	Report (publication expected 14 March 2022)

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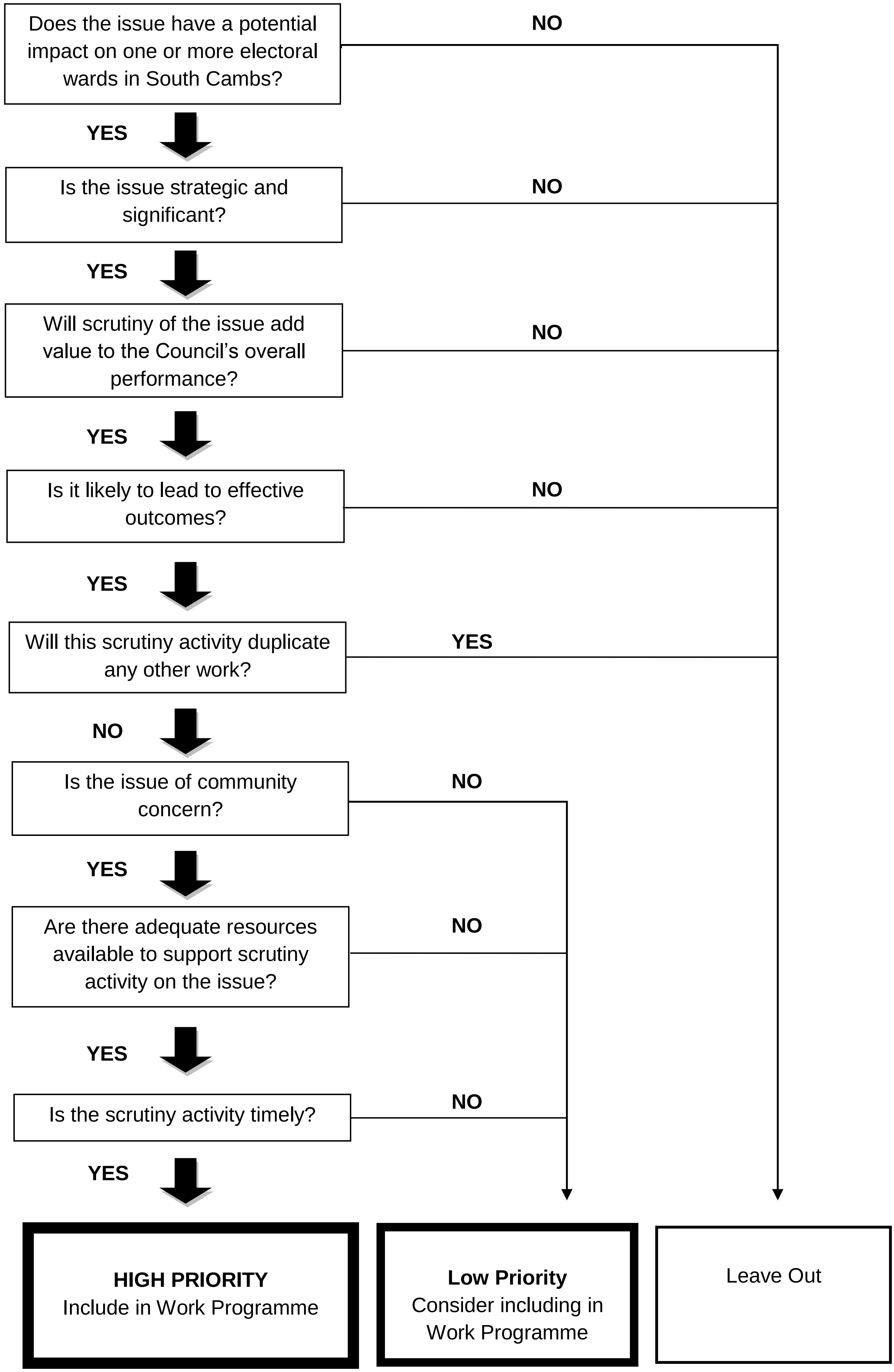
Scrutiny Work Programme Prioritisation Tool



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