

Public Document Pack

Daneshill House
Danestrete
Stevenage
Hertfordshire

7 December 2021

Dear Sir/Madam

Notice is hereby given that a meeting of the Stevenage Borough Council will be held in the Council Chamber, Daneshill House, Danestrete, Stevenage on Wednesday, 15 December 2021 at 7.00pm and you are summoned to attend to transact the following business.

Yours faithfully

Matthew Partridge
Chief Executive

AGENDA

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

2. MINUTES - 13 OCTOBER 2021

To approve as a correct record the attached Minutes of the meeting of the Council held on 13 October 2021.

Page Nos. 9 - 22

3. MAYOR'S COMMUNICATIONS

To receive any communications that the Mayor may wish to put before the Council.

4. MAIN DEBATE

There is no Main Debate.

5. PETITIONS AND DEPUTATIONS

None received.

6. QUESTIONS FROM THE YOUTH COUNCIL

In accordance with Standing Orders, written responses to the following questions submitted by the Youth Council will be sent out on a supplementary agenda.

- (A) What can the Council do to improve bus services for young people?
Recently, the Youth Council has noticed bus frequencies have been further apart.
- (B) Following COP26, what are the Council's plans to reduce the effects of climate change?

7. QUESTIONS FROM THE PUBLIC

None received.

8. LEADER OF THE COUNCIL'S UPDATE

In accordance with the Council's Standing Orders, the Leader of the Opposition shall be given the opportunity to raise one matter relevant to the Borough that has arisen since the last meeting of the Council. The Leader of the Council shall then have the opportunity to advise the Council of matters relevant to the Borough that have arisen since the last meeting.

9. UPDATE FROM SCRUTINY CHAIRS

To receive updates from the Chairs of the Scrutiny Committees on the recent activities of those Committees.

10. NOTICE OF MOTIONS

In accordance with Standing Orders, the following motions have been received for consideration:

1. Bus Services in Stevenage

To be moved by the Labour Group

Bus services in Stevenage are vital to so many of our residents providing them with a vital link to work places, shops, medical services, social & leisure activity, access to education and so much more.

That is why it is so disappointing to see a deterioration in our bus services in town with residents reporting many bus services cut at short (or no) notice meaning they have long waits for their bus. For some time now we have experienced some areas left with no bus service from early evening or no service at all.

This Council is working towards our net zero carbon by 2030 target and with the County Council on our Sustainable Travel Town status. A key part of this will be to encourage more use of public transport rather than private cars. Our new bus interchange is part of building an integrated public transport system. However this depends on regular, reliable, sustainable and affordable bus services.

Therefore this Council resolves

1. To convene a bus summit with the bus operators to explore the

opportunities and address the challenges of delivering better bus services

2. To lobby the County Council, as transport authority, to work with us and bus operators to ensure every area of Stevenage has a bus service
3. To seek reassurance from the County Council that there will be no further cuts to bus subsidies for Stevenage bus routes
4. To explore with the County Council better ways of providing up to date travel information to passengers
5. To ensure we do all we can through the planning process to ensure bus routes are planned with new neighbourhoods and maximum use is made of CIL & Section 106 to incentivise bus use.
6. To encourage the County Council as the Local Transport Authority and Arriva to continue to work with SBC concerning the ZEBRA (Zero Emission Bus Regional Area) bid for Stevenage

2. Council Meetings

To be moved by the Conservative Group.

Council notes that in the interests of democracy, it is important to continue to encourage and allow all political parties represented in Council to table motions but, to ensure all Council meetings are conducted in a timely fashion, thus facilitating the continued attention and interest of both our members and the public, there is a need to limit the time spent in debate. This can be achieved by limiting the number of motions and the time allowed for both debate and individual speakers.

Also, Council notes that the main debate has not taken place for some while, so could be regarded as no longer necessary. However, it is appreciated that members may benefit from presentations on matters of interest to the community, as appropriate and, therefore, we should provide for this in Standing Orders.

The Council therefore moves that Standing Orders, 19. Rules of Debate, is amended, as follows:

A new point c. (i) is added, 'Each political party is allowed 1 motion per Council meeting'.

Point c (i) becomes point c (ii).

Point c (ii) becomes point c (iii)

Point c (iii) now becomes point c (iv), and is amended thus;

'Time limits for speakers during debates, unless otherwise stated elsewhere in the Standing Orders are as follows:

- Mover of a motion - four minutes
- Seconder of a motion - four minutes
- Leader of the Council - four minutes
- Leader of the Opposition - four minutes

- All other speakers - two minutes
- Right of reply - two minutes'

Point c (iv) becomes point c (v).

A new point c (vi) is added, 'If debate on all motions exceeds 1 hour 30 minutes in total, the Chair shall guillotine such debate, and instruct Council to move straight to the vote on the motion then being debated'.

The Council also moves that Standing Orders, 9. Main Debate is re-written, as follows:

'At any ordinary meeting of the Council there may be a presentation on a matter of interest to the community.

- Such presentation can be from a Councillor, officer and / or other invited person(s). If the presentation is from a Councillor or officer, it should last no longer than 10 minutes. If another person or persons are making the presentation, it should last no longer than 20 minutes. Collectively, no presentations should last longer than 30 minutes.
- At the Mayor's discretion, Councillors and members of the public may ask questions, but the total period for such questions should be no longer than 20 minutes.

3. Housing and Direct Services Departments

To be moved by the Liberal Democrat Group.

This Council calls for a thorough review of the housing and direct services departments to focus particularly on:

- Improving the response to tenants requesting attention to repairs and other property problems.
- Ensuring that all incoming calls are dealt with promptly, are recorded and tenants do not have to wait longer than 30 minutes maximum during normal working hours to speak to someone. Where this is impossible, a proper call-back system to tenants is initiated.
- Maintaining a detailed register of outstanding housing maintenance works and reporting same to councillors on a weekly basis.
- Ensuring that tenants are properly informed by phone, text or email when access to their properties is needed for work and visiting times are agreed.
- Compensating tenants when Council trade persons fail to turn up for previously agreed appointments.
- Ensuring that councillors are kept informed of the initiation and progress of refurbishment and upgrade programmes, especially in the wards they represent.

4. Communications and Stevenage Chronicle

To be moved by the Liberal Democrat Group.

Calls upon Council to properly manage its Communications & Media unit and those responsible for the publication of Stevenage Chronicle and other publications from time to time issued by the Council; particularly to ensure:

- (a) That the Code of Recommended Practice on Local Authority Publicity published by the Department for Communities Local Government is properly observed.
- (b) Editorial oversight is under the control of an Assistant Director.
- (c) There is close attention to detail and checking of dates and other facts.
- (d) That any featured events are to take place at least 14 days ahead of general publication and circulation.
- (e) An editorial schedule of contents is published for circulation to councillors.
- (f) A schedule of dates for potential contributors including copy dates, proofing and to press is published.
- (g) That there is a balance of editorial material between wards and Council groups without party political favour.
- (h) That photos are relevant and correctly captioned.

5. Environmental, Social and Governance (ESG) Policy

To be moved by the Liberal Democrat Group.

This Council commits to considering and in due course implementing a ESG (Environmental, Social and Governance) policy to apply to the council's financial investment counterparties.

11. QUESTIONS FROM MEMBERS TO COMMITTEE CHAIRS / PORTFOLIO HOLDERS

In accordance with Standing Orders, written answers to the following questions will be circulated on a supplementary agenda.

(A) Question from Councillor Graham Lawrence -

'In light of this Council's commitment to protect our environment and reduce climate change, together with the government's recent announcement that all new homes should be fitted with EV charging points, will it be insisting that all new developments and current approved but unbuilt schemes,

- a. Have EV charging points
- b. Exclude gas fired heating systems
- c. Have sustainable electrical energy systems

(B) Question from Councillor Mitchell –

Do you think the level of spending on consultants by your administration is acceptable?

(C) Question from Councillor Julie Ashley-Wren -

In view of local and national calls in recent years for 'silent' fireworks:

- a. What changes have been made to SBC organised displays?
- b. What (if any) powers does the Council have over noise levels from fireworks sold and used in the Borough?

(D) Question from Councillor Booth –

- a. How many Council houses have been fitted with solar panels and what criteria have been adopted in identifying which ones are suitable?
- b. Which committee of the Council has approved this programme, what is the annual budget for it and for how long is it planned to run?

(E) Question from Councillor McGuinness -

Has an assessment been done about the roll out of the recycling bags and, if so, what did it show?

(F) Question from Councillor Parker -

Will SBC commit to continuing information and publicity locally about all known publicly available 24/7 automatic external defibrillators (AEDs) in the borough including locations and maps?

(G) Question from Councillor Graham Snell –

Reference the Covid Cobra snake, why is SBC now doing something different with it from that which residents voted for in the public consultation?

(H) Question from Councillor Wren –

How much money from central government grants has the Council used to insulate the following;

- a) Council Houses
- b) Flat blocks as part of the major refurbishment contract

(I) Question from Councillor Howells -

How much does the Council spend on the public firework display? and why are we not supporting the RSPCA's campaign to update our firework regulations to make fireworks less dangerous and threatening to pets and animals.

12. QUARTER 1 AND 2 MONITORING REPORT CAPITAL (GENERAL FUND) 2021/22

To consider recommendations relating to the Quarter 1 and 2 Capital Monitoring report (General Fund) 2020/22.

Page Nos. 23 - 28

13. MID YEAR REVIEW OF TREASURY MANAGEMENT STRATEGY 2021/22

The report circulated at Item 13 was considered by the Executive on 17 November 2021 when the following recommendations to Council were agreed:

1. That the 2021/22 Treasury Management Mid Year Review be approved.
2. That the list of approved Countries (with approved counterparties) for investments, as set out in Appendix D to the report, be approved.

Page Nos. 29 - 56

14. APPOINTMENT OF EXTERNAL AUDITORS - OPTING IN TO THE PUBLIC SECTOR AUDIT APPOINTMENTS (PSAA) PROCESS

The report circulated at Item 14 was considered by the Audit Committee on 10 November 2021 when the following recommendation to Council was agreed:

“That SBC opt in to the appointing arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of External Auditors covering the period April 2023 to March 2028.”

Page Nos. 57 - 62

15. AUDIT COMMITTEE MINUTES

To note the Minutes of the meeting of the Audit Committee held on 10 November 2021.

Page Nos. 63 - 70

16. EXCLUSION OF PRESS AND PUBLIC

To consider the following motions –

1. That under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as described in Paragraphs 1 – 7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to Information) (Variation) Order 2006.

2. That Members consider the reasons for the following reports being in Part II and determine whether or not maintaining the exemption from disclosure of the information contained therein outweighs the public interest in disclosure.

17. APPROVAL OF EMPLOYEE MATTER

To consider an employee matter which requires Council approval under S.40 Localism Act 2011 and the Council's Pay Policy statement for 2021/22.

This meeting is being live streamed on the Borough Council's YouTube Channel and the recording of the meeting will be available to view on the Council's YouTube channel after the meeting:

www.youtube.com/user/SBCComms

Members of the public attending this meeting may be filmed, and those who have requested and are invited to speak at the meeting will be recorded. By remaining in the public gallery once the meeting commences or speaking at the meeting, consent is being given to being recorded, and for the recording of them to be made publicly available and used by the Council.

The recording of the meeting will remain on the Council's YouTube Channel for 6 months, after which time it will be removed.

STEVENAGE BOROUGH COUNCIL

COUNCIL MINUTES

Date: Wednesday, 13 October 2021

Time: 7.00pm

Place: Council Chamber, Daneshill House, Danestrete, Stevenage

Present: Councillors: Sandra Barr (Mayor), Margaret Notley (Deputy Mayor), Myla Arceno, Doug Bainbridge, Philip Bibby CC, Stephen Booth, Lloyd Briscoe, Rob Broom, Adrian Brown, Teresa Callaghan, Michael Downing, John Duncan, Alex Farquharson, John Gardner, Jody Hanafin, Richard Henry, Jackie Hollywell, Chris Howells, Wendy Kerby, Graham Lawrence, Nick Leech, Mrs Joan Lloyd, Andy McGuinness, Maureen McKay, Lin Martin-Haugh, Sarah Mead, Robin Parker CC, Claire Parris, Loraine Rossati, Graham Snell, Simon Speller, Sharon Taylor OBE CC and Jeannette Thomas.

Start / End Time: Start Time: 7.00pm
End Time: 10.24pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were submitted on behalf of Councillors Julie Ashley-Wren, Matt Creasey, Liz Harrington, Lizzy Kelly, Adam Mitchell CC and Tom Wren.

2 MINUTES - 26 MAY 2021 (ANNUAL), 21 JULY 2021 (SPECIAL) AND 21 JULY 2021

It was **RESOLVED** that the Minutes of the Annual Council Meeting held on 26 May 2021, and the Special and Ordinary Council meetings held on 21 July 2021, be approved as correct records and signed by the Mayor.

3 MAYOR'S COMMUNICATIONS

The Mayor announced that she had accepted an urgent motion for consideration at the meeting concerning Violence against Women and Girls.

The Mayor summarised the activities that she and her consort had been involved with since the previous Council meeting in July 2021. These included:

- Visiting the Lister Hospital to celebrate the Butterfly Rooms award, presented by the Princess Royal;
- Opening the 200th park run Fairlands Valley Park;
- Stevenage Football Club Foundation 20 to 24 launch;
- The topping out ceremony at the Stevenage Bus Interchange;
- Attending the Slimming World Woman of the Year ceremony at St. Nicholas Community Centre;

- Representing the Council at Civic Garden Parties hosted by the Mayors of Bishop's Stortford and Broxbourne;
- Cutting the ribbon at the North Road housing development event;
- Attending a fundraising event hosted by Councillor Jackie Hollywell to raise awareness and money for Breast Cancer Now;
- Attending the SB-organised Basketball Festival held in local parks;
- Launching the post-Covid lockdown re-opening of the Cycle Hub;
- Opening the Co-Space facility in the Town Centre;
- Hosting (with the Deputy Mayor) the Mayor's Garden Party, at which over £942 was raised for her nominated charities. She thanked all councillors who had attended the event;
- Making a film about the 999 Day;
- Attending the Greenside Special School prom to present pupils with their yearbooks;
- Awarding a special Mayor's trophy at the first Stevenage Dance Festival;
- Attending the Thin Blue Paws Awards at Knebworth Barns, a charity set up to recognise and reward outstanding Police service dogs;
- Joining the Health Action Day and Stevenage Arts & Leisure Centre;
- Opening the Fun Run at Hampson Park organised by Stevenage Striders;
- Accompanied by Councillor Jackie Hollywell, attending the HACRO annual achievement awards at the University of Hertfordshire;
- Opening the new library at Larwood Special School, dedicated to the late Bill Pilgrim;
- Accompanied by the Deputy Mayor, attending the Irish Network AGM;
- Attending ex-Mayor Hugh Tessier's curiosities show at Stevenage Museum;
- Accompanied by Councillor Claire Parris, learning to enjoy curry for the first time at a Curry Night fundraiser hosted by the Mayor of Dacorum;
- Attending the Mayor of Hertsmeire's Civic Service at St. Paul's Church in Bushey;
- Accompanied by the Youth Mayor and Lady Mayoress, opening the new library at Woolenwick Junior School;
- At the Stevenage Museum, launching the new book by Paul Fry entitled "Town's got talent";
- Joining the Stevenage Arts Festival to watch Parnassus; and
- As part of the New Town's 75th anniversary, joining others in walks and talks across the Borough organised by Councillor Simon Speller.

4 MAIN DEBATE

There was no Main Debate.

5 PETITIONS AND DEPUTATIONS

There were no Petitions and Deputations.

6 QUESTIONS FROM THE YOUTH COUNCIL

The Council received three questions from the Youth Council. The responses to the three questions had been published in the supplementary agenda for the meeting.

No supplementary questions were asked by the Youth Mayor.

The Executive Portfolio Holder for Children, Young People, Leisure & Culture thanked the Youth Council for their questions and hoped they would continue to ask questions at future Council meetings, and also ask questions of Hertfordshire County Council regarding the services provided by that Council.

7 QUESTIONS FROM THE PUBLIC

There were no Questions from the public.

8 LEADER OF THE COUNCIL'S UPDATE

The Leader of the Opposition, Councillor Phil Bibby, asked the following question:

“How many SBC owned commercial properties in the town were currently unoccupied?”

The Leader of the Council undertook to provide a written answer to Councillor Bibby regarding this matter, which would be copied to all other Members.

The Leader of the Council, supported by the Executive Portfolio Holder for Economy, Enterprise & Transport, congratulated officers for their role in organising the successful recent Old Town Live Music event.

The Council then received updates from the relevant Executive Portfolio Holders on the following matters:

- Itrinerger;
- Stevenage in the rankings;
- Railways;
- Paperless working on Committees;
- Woman of the Year Award and Housing Heroes Award;
- New Homes to be built and derelict land transformed;
- Stevenage Against Domestic Abuse (SADA) nominated for Municipal Journal Award; and
- COP26.

The Leader of the Opposition asked what the plans were for the Council's Member Climate Change Working Group, which had not met for a number of months?

The Leader of the Council replied that there was a Climate Change update report being submitted to the Executive on 20 October 2021, part of which was to consider a way forward, including engagement with the Environment & Economy Select Committee and Climate Change Citizens' Panel. The outcome would be reported back to Members, including the future role of the Member Working Group.

9 UPDATE FROM SCRUTINY CHAIRS

The Chair of the Overview & Scrutiny Committee advised that, since the previous Council meeting, the Committee had met on a number of occasions to consider the Executive's decisions. One of these related to the Town Deal, and an interesting discussion had ensued, as summarised on page 33 of the agenda as part of the report to Council regarding this matter.

The Chair of the Community Select Committee stated that the Committee had met to scope out work in relation to pre-scrutiny of the proposed Heritage Centre, and visits were planned to similar facilities in Colchester and Milton Keynes to glean best quality advice and information. The Committee would be inviting to a future meeting the new Manager whose responsibilities would include addressing damp and mould issues in SBC-owned housing properties.

The Chair of the Environment & Economy Select Committee had met on a number of occasions recently, and had interviewed internal and external witnesses prior to agreeing the scrutiny report on the Council's response to the Covid crisis for onward submission to the Executive. The Committee's next major area of work would be to scrutinise the implementation of the Council's Climate Change Strategy, which would commence with a presentation from the Executive Portfolio Holder for Environment & Regeneration.

10 NOTICE OF MOTIONS

Urgent Motion – Violence Against Women and Girls

Councillor Jackie Hollywell moved and Councillor Teresa Callaghan seconded the following urgent motion:

“That this Council acknowledges and deeply regrets the murders of Sarah Everard, Sabina Nessa, Nicole Smallman, and Bibaa Henry and would like to send our heartfelt condolences to all the families of these women and girls who have lost their lives as a result of violence.

The appalling murder of Sarah Everard last March was particularly shocking as her recently convicted murderer was a serving Police Officer. This horrendous crime has not only made women and girls more concerned about their safety, but it has sadly led to questions about the security and reassurance of the presence of Police Officers in our communities.

We would also welcome the announcement by the Home Secretary of an enquiry to look into the circumstances of this particular crime and perpetrator, as well as the wider societal implications for the safety of women and girls. However, we call on the Government to make this a formal public enquiry so that it can be as transparent and wide-reaching as possible. All the issues need to be properly examined as Violence Against Women and Girls can only be eradicated by a focus on the root causes and requires a cultural shift in attitudes and behaviours underpinned by education and legal improvements.

Therefore that Council resolves:

1. To write to the Home Secretary to call for the enquiry into the murder of Sarah Everard to be made a formal public enquiry;
2. To call on the Government to legally recognise Misogyny as a Hate Crime and for the Hertfordshire Police and Crime Commissioner to ensure that any incidences of violence against women and girls are recorded accordingly; and
3. To also call on the Chief Constable of Hertfordshire and The Police and Crime Commissioner for Hertfordshire to urgently review the conduct of their Officers and Staff in order to reassure the people of Stevenage that they have confidence in their Police."

The following amendment was moved by Councillor Phil Bibby and seconded by Councillor Wendy Kerby:

Deletion of points 2. and 3., and make a new 2., as follows:

"To also call on the Chief Constable of Hertfordshire and the Police and Crime Commissioner for Hertfordshire to share the processes they have in place to ensure that police candidates are robustly vetted, and that their conduct continues to remain appropriate."

Following debate, and upon being put to the vote, this amendment was lost.

Following further debate on the substantive motion, and upon this being put to the vote, it was **RESOLVED**:

"That this Council acknowledges and deeply regrets the murders of Sarah Everard, Sabina Nessa, Nicole Smallman, and Bibaa Henry and would like to send our heartfelt condolences to all the families of these women and girls who have lost their lives as a result of violence.

The appalling murder of Sarah Everard last March was particularly shocking as her recently convicted murderer was a serving Police Officer. This horrendous crime has not only made women and girls more concerned about their safety, but it has sadly led to questions about the security and reassurance of the presence of Police Officers in our communities.

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 2. To call on the Government to legally recognise Misogyny as a Hate Crime and for the Hertfordshire Police and Crime Commissioner to ensure that any incidences of violence against women and girls are recorded accordingly; and
 3. To also call on the Chief Constable of Hertfordshire and The Police and Crime Commissioner for Hertfordshire to urgently review the conduct of their Officers and Staff in order to reassure the people of Stevenage that they have confidence in their Police.”
- (i) Councillors to be made aware of upcoming announcements to press and public

Councillor Robin Parker moved and Councillor Stephen Booth seconded the following motion:

“That Council calls for a weekly bulletin to be circulated to all councillors by the start of each week outlining all known events, public announcements, statements, news releases and other information planned for publication by the Council during the coming week.”

The following amendment was moved by Councillor Sharon Taylor and seconded by Councillor Claire Parris:

Deletion of all word after “That Council...” and their replacement with “...agrees for the details of SBC organised events to be shared with all councillors in advance of them taking place.”

Following debate, and upon being put to the vote, this amendment was carried.

Following further debate on the substantive motion, and upon this being put to the vote, it was **RESOLVED**:

“That Council agrees for the details of SBC organised events to be shared with all councillors in advance of them taking place.”

(i) Managing the IT System

Councillor Stephen Booth moved and Councillor Andy McGuinness seconded the following motion:

“That Council notes the serious financial consequences of the recurrent series of IT failures experienced in recent years and those to date during 2021 by SBC. These failures have caused widespread disruption to Council services to residents, to staff working practices and to the e-mail system on at least four separate occasions.

We therefore call upon the Overview and Scrutiny Committee urgently to investigate

and review the management and operation of the Council's IT systems and specifically:

- speedily to appoint independent consultants to analyse and identify the key problems;
- quickly to resolve these problems with the minimum of disruption to council services and working arrangements;
- to appoint senior staff including at least one at director level to manage the IT system;
- to develop a strategy and plan for the IT system and submit it to Council for approval;
- to suspend the introduction of all new devices, apps and systems until such time as the above has been achieved; and
- to introduce measures to ensure that future failures and outages are costed and reported to Council."

The following amendment was moved by Councillor Rob Broom and seconded by Councillor Jeannette Thomas:

"Deletion of all word 'financial' in the first paragraph;

Addition of a paragraph following the first paragraph stating "That Council notes the significant work that is being undertaken to upgrade the Council's IT system and implement the ICT Strategy agreed in 2019.";

Deletion of the words "...call upon the Overview and Scrutiny Committee urgently to investigate and review..." in the second paragraph and their replacement with "...ask the Executive to receive a report on the delivery of the ICT Strategy, the current operations, its management, and to inform the future strategy. To inform this report a Portfolio Holder Advisory Group will be convened and, following Executive, the Overview & Scrutiny Committee will be invited to review the Executive's decision(s) regarding Management of the Council's IT system in the usual manner."; and

Deletion of all the bullet points in the final paragraph."

Following debate, and upon being put to the vote, this amendment was carried.

Following further debate on the substantive motion, and upon this being put to the vote, it was **RESOLVED:**

"That Council notes the serious consequences of the recurrent series of IT failures experienced in recent years and those to date during 2021 by SBC. These failures have caused widespread disruption to Council services to residents, to staff working practices and to the e-mail system on at least four separate occasions.

That Council notes the significant work that is being undertaken to upgrade the Council's IT system and implement the ICT Strategy agreed in 2019.

We therefore ask the Executive to receive a report on the delivery of the ICT Strategy, the current operations, its management, and to inform the future strategy.

To inform this report a Portfolio Holder Advisory Group will be convened and, following Executive, the Overview & Scrutiny Committee will be invited to review the Executive's decision(s) regarding Management of the Council's IT system in the usual manner."

(ii) Lives animals as prizes

Councillor Robin Parker moved and Councillor Andy McGuinness seconded the following motion:

"That Council asks for an officer report on the feasibility of not allowing the giving of live animals as prizes or rewards:

- (a) at any SBC event;
- (b) on SBC controlled premises; and
- (c) in the Borough of Stevenage."

The following amendment was moved by Councillor Phil Bibby and seconded by Councillor Graham Lawrence:

"Deletion of the words 'asks for an officer report on the feasibility of not allowing the giving of', and replace with 'condemns the practice of giving'.

Deletion of the bullet points (a), (b), and (c), and replace with 'Under current legislation (Animal Welfare Act 2006), the only relevant offence is to give away an animal as a prize if the recipient is under 16 and not accompanied by an adult. With animal welfare in mind, Council should write to Government, asking for a review of this legislation, which is outdated. In the meantime, Council should liaise with HCC Trading Standards officers, to ensure current legislation is enforced.'

The revised Motion reads:

"That Council condemns the practice of giving live animals as prizes or rewards. Under current legislation (Animal Welfare Act 2006), the only relevant offence is to give away an animal as a prize if the recipient is under 16 and not accompanied by an adult. With animal welfare in mind, Council should write to Government, asking for a review of this legislation, which is outdated. In the meantime, Council should liaise with HCC Trading Standards officers, to ensure current legislation is enforced."

Following debate, and upon being put to the vote, this amendment was carried.

The following further amendment (to the text of the new substantive motion) was moved by Councillor Lou Rossati and seconded by Jackie Hollywell:

"Retention of the first paragraph, up to the words '...not accompanied by an adult'; and

A re-working of the sentence commencing 'With animal welfare in mind...', including

the additional wording ‘...this Council will...’ in place of ‘Council should...’, and the breaking up the remainder of the paragraph into (a), (b) and (c), including an additional (a) to ‘prohibit any hirer from giving live animals of any kind as prizes or gifts on any land owned or managed by SBC.’”

Following debate, and upon being put to the vote, this further amendment was carried.

Following further debate on the substantive motion, and upon this being put to the vote, it was **RESOLVED**:

"That Council condemns the practice of giving live animals as prizes or rewards. Under current legislation (Animal Welfare Act 2006), the only relevant offence is to give away an animal as a prize if the recipient is under 16 and not accompanied by an adult.

With animal welfare in mind, this Council will:

- (a) prohibit any hirer from giving live animals of any kind as prizes or gifts on any land owned or managed by SBC;
- (b) write to Government, asking for a review of this legislation, which is outdated; and
- (c) liaise with HCC Trading Standards officers, to ensure current legislation is enforced.”

11 QUESTIONS FROM MEMBERS TO COMMITTEE CHAIRS / PORTFOLIO HOLDERS

The Council received ten questions from Members to Committee Chairs/Portfolio Holders. The responses to the ten questions had been published in the supplementary agenda for the meeting.

(A) Question from Councillor Margaret Notley re: substitutes on committees

No supplementary question was asked.

(B) Question from Councillor Nick Leech re: derelict oil container at Waverley Close

Supplementary question – “Would the Executive Portfolio Holder for Resources commit to a meeting with him and Councillor Chris Howells to investigate resolving the issues for one and all?”

The Executive Portfolio Holder for Resources replied that the oil container was situated on private land, and that she was unaware of any previous complaints regarding the matter. She would await a legal view on the issue, including advice as to whether or not the container breached environmental and/or planning legislation, and she undertook to come back to Councillor Leech following receipt of this

information.

(C) Question from Councillor Adam Mitchell re: hedgerow trimming

No supplementary question was asked.

(D) Question from Councillor Chris Howells re: cyclists, e-scooters and skateboarders in the town centre

Supplementary question – “How can the Council hope to attract more visitors to the Borough both before and after Town Centre Regeneration with the current high level of cyclists, e-scooters and skateboarders using the pedestrianised areas of the town centre?”

The Executive Portfolio Holder for Communities, Community Safety & Equalities replied that the Council had a very proactive Anti-Social Behaviour (ASB) Team who were tackling the issues raised in the question, in association with Hertfordshire Constabulary. She asked Councillor Howells to contact her and/or ASB Team officers should he experience further examples of this type of anti-social behaviour.

(E) Question from Councillor Julie Ashley-Wren re: refurbishment works to leaseholders of SBC owned flats

In the absence of Councillor Ashley-Wren, Councillor Robin Parker asked the following Supplementary question – “Can the SBC Leaseholders be written to now to be advised of the Council’s plans and reasons for the delay, and have any of them opted for an independent check of their final accounts?”

The Executive Portfolio Holder for Housing, Health & Older People replied that a letter would be going out to the first tranche of Leaseholders with their bills and explaining the reasons for delay. The bills had yet to be sent out, and the costs had been capped, with the majority of bills below the estimated costs. As the bills had not yet been sent out, it was not possible to give an indication as to how many Leaseholders had opted for independent checks.

(F) Question from Councillor Stephen Booth re: “Your Say” system

Supplementary question – “Would the Council consider improving this service by allowing councillors to engage more directly with Assistant Director level officers (or their senior assistants) on “Your Say” issues?”

The Executive Portfolio Holder for Neighbourhoods & Co-operative Council replied that he accepted that there had been an increase in enquiries through the “Your Say” system during Covid lockdown and afterwards. He would be meeting officers in the near future to look at improvements to the system for all Members, including an enhanced digital offer.

(G) Question from Councillor Andy McGuinness re: Covid-19 Cobra snake

Supplementary question – “Can the Portfolio Holder confirm that the final location of

the Covid-19 Cobra snake would be in the underpass at the junction of Grace Way and Vardon Road, the preferred location following a residents' survey and fundraising exercise carried out in 2020?"

The Portfolio Holder for Children, Young People, Leisure & Culture replied that the final location was being discussed with Dawn Parnell and her family, and no decision had been made. SBC Officers were working with Hertfordshire County Council colleagues to determine the final resting place for the Covid-19 Cobra snake,

(H) Question from Councillor Robin Parker re: Chairs of Scrutiny functions

Supplementary question – "In view of the fact that the original question was not answered, why are opposition parties not allowed to Chair any of the Councils Scrutiny functions?"

The Leader of the Council replied that the first paragraph of the original answer was to explain the efficacy of the work carried out by the Council's scrutiny bodies. The second paragraph confirmed that the appointment to Chairs of Committees (including scrutiny committees) takes place at the Annual Council Meeting in May of each year. The Chairs of Committees are decided upon by the Majority Group, and come before the Annual Council for approval. The Vice-Chair positions on scrutiny committees were handed to the opposition for appointment. The above provisions would continue whilst the current Majority Group was in political control of the Council.

(I) Question from Councillor Graham Snell re: tenancy evictions for anti-social behaviour

Supplementary question – "Can I have more detail about what has been done successfully in resolving the problems associated with difficult neighbours?"

The Executive Portfolio Holder for Housing, Health & Older People undertook to provide a written answer to the supplementary question.

(J) Question from Councillor Alex Farquharson re: Leader's stance on GSK's £400M investment in Stevenage

Councillor Farquharson was pleased with the Leader of the Council's response and had no supplementary question.

The Leader of the Council reiterated her support for GSK's investment in Stevenage and hoped that the next phase would be a successful Towns Fund scheme for alterations and improvements to the Gunnels Wood Road/GSK roundabout area, in order to unlock the potential for the growth of the GSK/Catalyst Bioscience Park campus.

12 TRANSFORMING OUR TOWN CENTRE PROGRAMME UPDATE AND TOWNS FUND DECISION MAKING

The Council considered a report in respect of an update on the Transforming our

Town Centre Programme and seeking approval of the Towns Fund decision-making process.

It was moved by Councillor John Gardner, and seconded by Councillor Sharon Taylor, that the recommendations in the report be approved.

In response to Member questions regarding the number of new high rise flats contained in the Towns Fund proposals in the light of likely different working patterns following the Covid pandemic, the Executive Portfolio Holder for Environment & Regeneration commented that one of the objectives was to provide homes to house residents as well as those attracted into the area to take up jobs associated with the growing Stevenage business sector, especially the pharmaceutical and STEM Gene and Cell Therapy units comprising the GlaxoSmithKline and Bioscience Catalyst campus.

Upon the motion being put to the vote, it was

RESOLVED:

1. That the progress of the regeneration programme be noted.
2. That the progress of Towns Fund programme to date, including the obligations of the Council as the Accountable Body for the Towns Fund, be noted.
3. That the creation of an Officer Panel to support the discharge of the Council's obligations as Accountable Body be noted and approved.
4. That the review and approval of Towns Fund Business Cases be delegated to the Executive.
5. That it be noted that there will be future decision points for a number of Council-sponsored projects, in accordance with the Council's Constitution, following approval of the Towns Fund Business Cases and release of funding by the MHCLG.
6. That the inclusion of the £37.5 million within the Council's Capital Strategy be noted, and it be further noted that this is aligned with the Heads of Terms agreement with MHCLG, and that authorisation for Council match-funding will be reserved until the relevant Business Case is approved.

13 ANNUAL TREASURY MANAGEMENT STRATEGY REVIEW 2020/21 INCLUDING PRUDENTIAL CODE

The Council considered a report in respect of the Annual Treasury Management Review 2020/21, including the Prudential Code. It was noted that the report had been endorsed by both the Audit Committee and the Executive.

It was moved by Councillor Mrs Joan Lloyd, and seconded by Councillor Sharon Taylor, that Recommendations 2.3 and 2.4 in the report be approved.

In reply to a Member question regarding the status of Aberdeen MMF, one of the money market funds invested in by the Council during the year, the Strategic Director (CF) undertook to investigate and supply an e-mail response to the Member.

Upon the motion being put to the vote, it was

RESOLVED:

1. That the 2020/21 Annual Treasury Management Review be approved.
2. That the wording in Appendix C, Table 1 of the report (Specified Investments Criteria) be amended as set out in Paragraph 4.2.6.5 of the report, in order to allow the use of Enhanced Cash Funds included in Table 3 (Treasury Limits).

14 AUDIT COMMITTEE MINUTES

The Minutes of the meeting of the Audit Committee held on 8 September 2021 were received.

MAYOR

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Meeting: COUNCIL

Agenda Item:

Portfolio Area: Resources

Date: 15 December 2021



QUARTER 1 AND 2 MONITORING REPORT (CAPITAL) - GENERAL FUND

KEY DECISION

Author	– Belinda White	Ext. 2515
Contributor	– Lee Busby	Ext. 2730
Finance team and budget managers		
Lead Officer	– Clare Fletcher	Ext. 2933
Contact Officer	– Clare Fletcher	Ext. 2933

1 PURPOSE

- 1.1 To provide Members with an update on the Council's 2021/22 capital programme.
- 1.2 To seek approval for the revisions to the General Fund and Housing Revenue Account capital programmes.

2 RECOMMENDATIONS

- 2.1 Council accept the recommendation from Executive and approve the additional General Fund budget requirements as set out in table one, para 4.1.1, of £291K.
- 2.2 Council approve additional delegated authorities to Executive of £200K for 2021/22 as set out in para 4.2.1
- 2.3 Council approve borrowing for the Railway Station Multi-Storey Car Park of between £1.85 and £2.05Million as set out in para 4.2.2 and approve the use of £1.45Million of the Marshgate receipt as set out in paragraph 4.2.3.
- 2.4 That Council approve circa £800k of forward-funding to enable demolition of Swingate House as set out in para 4.3.

3 BACKGROUND

- 3.1 The 2021/22 working budget approved by Executive on 20 October for the capital programme is:

- General Fund £22.3 Million
- Housing Revenue Account £53.9 Million

3.2 Executive have delegated authority to approve new requests for capital expenditure where there is existing funding of up to £250K, and a further 250K for new capital expenditure where new funding needs to be identified. The new requests presented to Executive on 20 October for approval in the current financial year are as set out in table one paragraph 4.1.1, which indicate that Council approval is required for projects over and above Executive delegation limits.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 2021/22 General Fund Capital Programme - Additional Budget Requests

4.1.1 The 2021/22 Capital budgets were approved at Council in February 2021, however only high priority growth bids were approved due to the on-going constraints on capital resources. A deferred works reserve was included in the capital programme as emergency works may still arise at any time of the year particularly due to the limits on capital spend. Table one below sets out the requests for 2021/22. Funding of £92K has been identified for some of the schemes (which can be met from allocated reserves) but requiring approval. There is a further £199K of projects where new funding needed to be identified requiring the use of more capital resources leaving only £51K remaining for the year within the Executives delegation. The capital report to the November Executive identified projected additional available resources and it was recommended that the unfunded bids be approved.

Table One: New project requests	Amount requested	Funding available / requested from	Within Executive delegation
	£	£	
Requests against existing funding:			
Cavendish Road Fire protection works	250,000	Deferred Works Reserve	Yes
Delegated limit reached			
Peartree skate park replacement following vandalism	40,000	Insurance Reserve	
Town Plaza Health & Safety work	35,000	Town Square Reserve	
St Nicholas POD removal	15,000	Insurance Reserve	
Vehicle replacements due to theft	2,000	Insurance Reserve	
Requiring Council Approval	92,000		No
Requests requiring new funding:			
FVP Dam Works	45,000	General Fund Capital Receipts	
Waste receptacles	40,000	General Fund Capital Receipts	
Ridlins Athletics Facility	30,000	General Fund Capital Receipts	
Cleaning machine for the town centre	24,000	General Fund Capital Receipts	
Cavendish Depot IT server room - gas suppression air permeability prevention works	20,000	General Fund Capital Receipts	

Table One: New project requests	Amount requested	Funding available / requested from	Within Executive delegation
	£	£	
Cavendish Depot CCTV control room - gas suppression works	40,000	General Fund Capital Receipts	
Within delegated limit	199,000		Yes
Delegated limit remaining	51,000		

4.1.2 Capital Receipts

The Q1/Q2 forecast use of Capital Receipts is summarised in table two below. This set out the residual capital resources based on the capital programme presented to Executive on 20 October for approval. There is always a risk surrounding the amount and timing of capital receipts, particularly those for later years. However it was recommended to use £199K of the unallocated 2021/22 balance of £1.668Million shown below to fund the additional budget requests set out in table one, para 4.1.1.

Table Two:	2021/22	2022/23	2023/24	2024/25
Unallocated capital receipts	£'s	£'s	£'s	£'s
Unallocated B/fwd	(999,592)	(1,667,727)	(3,856,016)	(5,678,488)
In Year Resource	(6,751,275)	(7,456,296)	(23,556,500)	(13,384,000)
Used in Year	6,083,140	5,268,007	21,734,028	13,692,087
Capital Receipt Unallocated	(1,667,727)	(3,856,016)	(5,678,488)	(5,430,401)

4.2 Delegated limits for Executive

4.2.1 Based on the level of reserves available for the rest of the financial year, and to remove the need to bring further reports to Council for minor changes to the capital programme, it is requested that Council give a further delegation to Executive of £200,000 and to use any available, uncommitted resources or allocated reserves to fund these minor changes.

4.2.2 A further report is being presented to the 8 December Executive requesting that Council approves delegation to Executive to agree borrowing for the Railway Station Multi-Storey Car Park of between £1.85 and £2.05Million, subject to the cost to the General Fund being within the Executive's revenue delegated limits. This would be subject to the Executive agreeing the recommendations in that report.

4.2.3 As set out in the December Executive report, the MSCP scheme requires £1.45Million of the Marshgate car park receipt to fund the capital investment for new and replacement parking and Council is recommended to approve the use of the receipt along with the borrowing as set out in paragraph 4.2.2.

4.3 Swingate House demolition

4.3.1 The drawdown of the first development plot for SG1 is targeted for Spring 2022. As with all proactive development partnerships, the Council and Mace, through the provisions in the Development Agreement, have been exploring ways to accelerate and de-risk the delivery of SG1, building on the momentum

of the regeneration programme so far and supporting the town's economic recovery from the impact of Covid-19.

- 4.3.2 Permission is sought for circa £800k of forward-funding to enable demolition of Swingate House prior to Mace taking full control of the site. This will enable the overall build programme to be reduced, as well as reduce the risk of unexpected archaeological, asbestos or ground conditions risks being realised during the build. The cost of demolition will be repaid in full at drawdown of the Development Agreement. Whilst there is a small risk that should progress stall with the scheme then the first draw down receipt would be delayed, this is mitigated by the fact that carrying out these works would increase the value of the land and make it more commercially attractive to the market due to the decreased risks.
- 4.3.3 Approval will enable the Council to be satisfied that it has met all its relevant obligations in the Development Agreement and done everything within its powers to support the delivery of the development during a very challenging time for the sector.

5. IMPLICATIONS

5.1 Financial Implications

- 5.1.1 This report is financial in nature and consequently financial implications are included in the above.

5.2 Legal Implications

- 5.2.1 None identified at this time.

5.3 Equality and Diversity Implications

- 5.3.1 This report is of a technical nature reflecting the projected spend for the year for the General Fund and HRA capital programme. None of the budget changes reported will change any existing equalities and diversity policies and it is not expected that these budget changes will impact on any groups covered by statutory equalities duties.
- 5.3.2 Schemes contained within the capital programme will have an EQIA particularly those relating to housing schemes.

5.4 Risk Implications

- 5.4.1 The significant risks associated with the capital strategy are largely inherent within this report.
- 5.4.2 There is a risk that the value of land sales is not realised due to the impact of COVID on the confidence on the market or prices are lower than anticipated due to higher material costs linked to BREXIT/COVID.
- 5.4.3 The Council manages risks relating to capital receipts by reviewing and updating the Strategy quarterly, including resources where a sale is likely to complete. This will enable action to be taken where a receipt looks doubtful.

- 5.4.4 A significant risk exists that works deferred due to lack of funding become urgent in year, requiring completion on grounds of health and safety. A reasonable assessment has been made in the prioritisation process to try to keep this risk to a minimum, and these schemes are monitored by Assets and Capital Board.

5.5 Climate Change Implications

- 5.5.1 The Council's buildings across the town do not meet the climate change agenda in terms of energy efficiency or divestment of use of fossil fuels and in their current condition they would undermine the Council's attempt to be carbon zero by 2030.
- 5.5.2 However, there is an opportunity with the local asset review agenda to have design principles built into renewed assets in terms of energy efficiency and sustainable energy sources. This should be a core principle of any future designs arising from the local asset reviews. There would be a further benefit of reduced energy costs.

BACKGROUND DOCUMENTS BD1 - Capital Strategy February 2021 (Council)
BD2 – Capital Outturn August 2021 (Executive)
BD3 – Quarter 1 and 2 monitoring report (Executive)

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Meeting: Audit Committee / Executive / Council **Agenda Item:**

Portfolio Area: Resources



Date: 10 November 2021 / 17
November 2021 / 15 December
2021

2021/22 MID YEAR TREASURY MANAGEMENT REVIEW

NON-KEY DECISION

Author	– Belinda White	Ext No. 2515
Contributors	– Lee Busby	Ext No. 2730
Lead Officer	– Clare Fletcher	Ext No. 2933
Contact Officer	– Clare Fletcher	Ext No. 2933

1. PURPOSE

- 1.1 To update Members on the Treasury Management activities in 2021/22 and review effectiveness of the 2021/22 Treasury Management and Investment Strategy including the 2021/22 prudential and treasury indicators.

2. RECOMMENDATIONS

- 2.1 That Council approve the 2021/22 Treasury Management Mid-Year review.
- 2.2 That subject to any comments from Executive and the Audit Committee, Council approve the list of approved Countries (with approved counterparties) for investments as set out in Appendix D to this report.
- 2.3 That the updated authorised and operational borrowing limits as set out in Appendix A to this report are approved.
- 2.4 That the impact of the outstanding decision set out in paragraph 4.1.4 be noted.

3. BACKGROUND

- 3.1 This report covers one of three reporting requirements under the Prudential and Treasury Management Code of Practice (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), the other reports being:

- Annual Treasury Strategy (in advance of the year) (last reported to Council 24 February 2021)
- Annual Treasury Management Review after the year end (2020/21 was reported to Council 13 October 2021)

3.2 In December 2017, CIPFA revised the Code to require, all local authorities to report:

- A high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- An overview of how the associated risk is managed;
- On the implications for future financial sustainability.

These elements are covered in the annual Capital Strategy reported to Council in February each year.

3.3 This report summarises:

- Capital expenditure and financing for 2021/22;
- The overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- The reporting of the required prudential and treasury indicators, including the impact of the expenditure on the Council's underlying indebtedness (the Capital Financing Requirement);
- An update on the Treasury Management Strategy Position;
- An economic update for the first part of 2021/22.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 The Council's Capital Expenditure and Financing 2021/22

4.1.1 Capital expenditure¹ can be financed either by capital resources the Council has on its balance sheet (e.g. capital receipts and capital grants) or by making a revenue contribution to capital. If sufficient capital resources are not available to fund the expenditure the Council would need to borrow to meet the funding gap. This borrowing may be taken externally in new loans or internally from cash balances held by the council (see also 4.3.3). The need to borrow is measured and reported through the Prudential Indicators.

4.1.2 The Treasury Management Strategy and Prudential Indicators for 2021/22 were originally approved by Council on the 24 February 2021. Since then, capital budget changes have been approved and the Prudential Indicators updated in the 2020/21 Annual Treasury Management Review (approved by Council 13 October 2021). The Treasury Management Mid-Year Review Indicators have been updated based on the 1st and 2nd quarter capital programme reported to Executive (20 October 2021).

¹ Council expenditure can be classified as capital when it is used to purchase assets with a life of more than one year, exceeds £5,000 in value and meets the guidelines laid out in CIPFA accounting practices.

4.1.3 Table One (see below) shows the original capital programme, the revised capital programme (approved by Executive 20 October 2021) and financing.

Table One: 2021/22 Capital Expenditure and Financing		
	2021/22 Original Capital Strategy (Council February 2021) £'000	2021/22 Revised Mid-Year Review (Q1&Q2 Capital Strategy -Executive October 2021) £'000
Capital Expenditure:		
General Fund Capital Expenditure	17,400	22,322
HRA Capital Expenditure	52,488	53,857
Total Capital Expenditure	69,888	76,180
· Capital Receipts	(14,958)	(17,828)
· Capital Grants / Contributions	(9,131)	(13,167)
· Capital Reserves	(2,211)	(2,356)
· Revenue contributions	0	(88)
· Major Repairs Reserve	(11,798)	(8,238)
Total Resources Available	(38,097)	(41,676)
Capital Expenditure Requiring Borrowing	(31,790)	(34,503)

4.1.4 It should be noted that at the time of writing the report, a decision was yet to be made regarding the demolition costs for Swingate House of approx. £900K. The Council may decide to incur these costs and so the capital programme would be approx. £900K higher, or the site would be sold with these works still to be undertaken and this would be reflected in the capital receipt achieved. A report is due to be presented to the Council's Executive in December which will make recommendations on this issue.

4.2 The Council's overall borrowing position.

4.2.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR)². Whether physical borrowing is taken out depends on the level of cash balances held by the Council. The treasury service manages the Council's cash position to ensure sufficient cash is available to meet the capital payments, based on the Council's Capital Strategy and its Treasury Management Strategy. This may be through internal borrowing from utilising cash balances held by the Council in the short to medium term or external borrowing such as from the Government, through the Public Works Loan Board (PWLb), or the money markets.

² Capital Financing Requirement (CFR) represents the amount of debt the Council needs to/has taken to fund the capital programme after debt repayments and Minimum Revenue Provision (MRP) are taken into account

4.2.2 The 2021/22 Capital Strategy identified the need for borrowing for financing elements of the capital programme. The Council has not undertaken any new external borrowing to date in 2021/22.

4.2.3 In 2021/22 the average cash holding between April and September was £77.5 Million (compared to £62.0 Million April to September 2020/21). While investment returns are low the “internal” borrowing rate is significantly cheaper than the cost of external borrowing and remains a prudent use of the Council’s cash balances, unless it is considered more advantageous to secure long term borrowing in accordance with the HRA Business Plan.

4.2.4 As at the 30 September 2021 the Council had total external borrowing of £218,834,687 which is projected to increase to £252,432,312 by 31 March 2022 if all approved borrowing is taken as per the revised capital programme approved by Executive on 20 October 2021.

4.2.5 The General Fund currently has £2,150,687 external borrowing with the PWLB, comprising an Equal Instalments of Principal (EIP) loan with the final principal repayment in February 2023, and a Maturity loan of £1.756 Million which matures in March 2028.

4.2.6 The HRA has external borrowing of £216,684,000 with the PWLB, with the majority of the HRA debt (£194,911,000) taken out in March 2012 to finance the payment required to central government for self-financing. This debt was arranged over a number of loans at fixed rates and with varying maturities and is not impacted by the recent changes in PWLB rates.

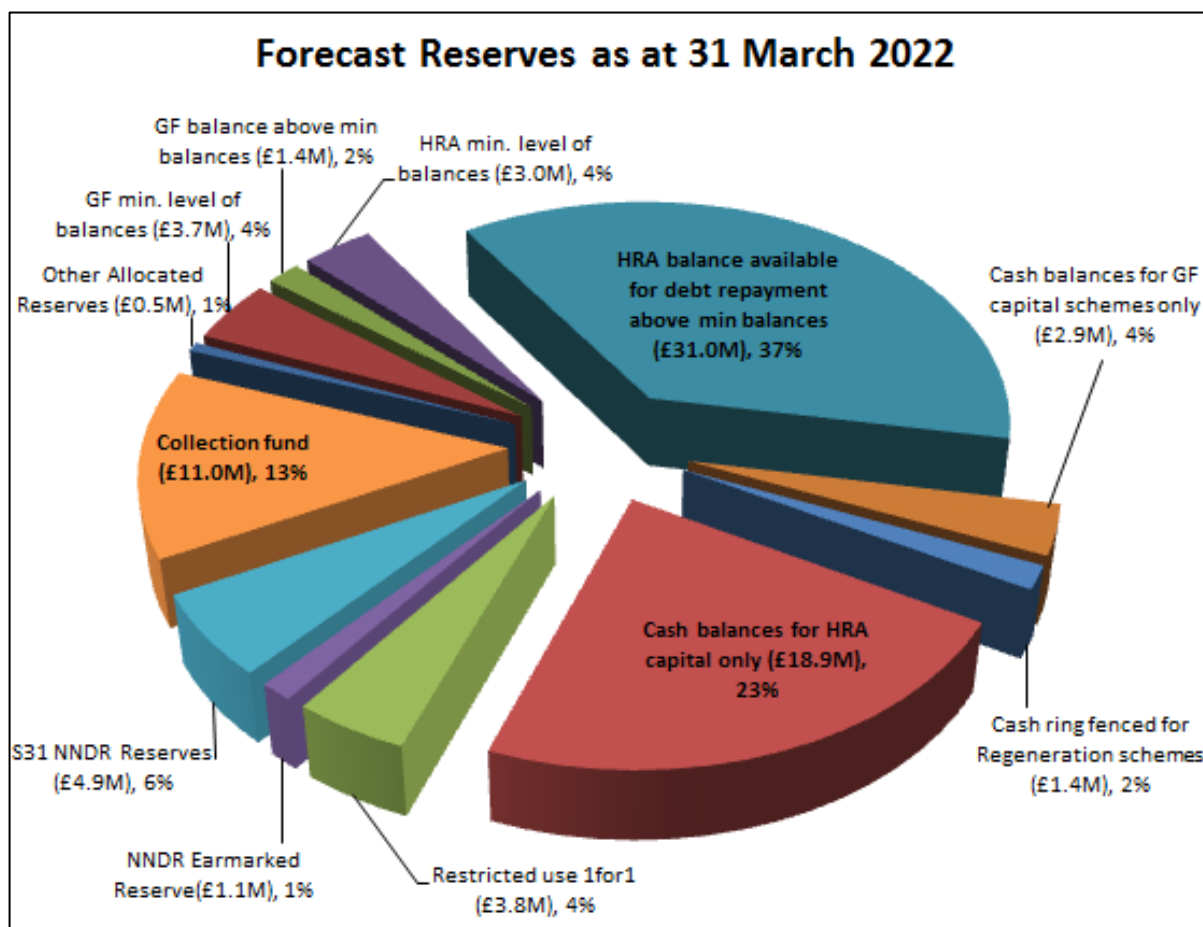
4.2.7 The HRA borrowing includes £7,763,000 used to fund the pre-2012 Decent Homes programme. This debt was called ‘supported borrowing’ under the former HRA subsidy system but now forms part of the HRA debt portfolio. An additional £10,000,000 was taken in March 2021 to fund additional Decent Homes expenditure.

4.2.8 Since the lifting of the HRA Debt Cap, which was formerly £217,685,000, HRA borrowing limits are based on affordability rather than legislation. These limits are now reviewed as part of the annual HRA Business Plan and through annual budget setting. An MTFS update for the HRA is being reported to Executive on 8 December 2021 as part of the Draft Budget for 2022/23.

4.3 Cash balances and cash flow management

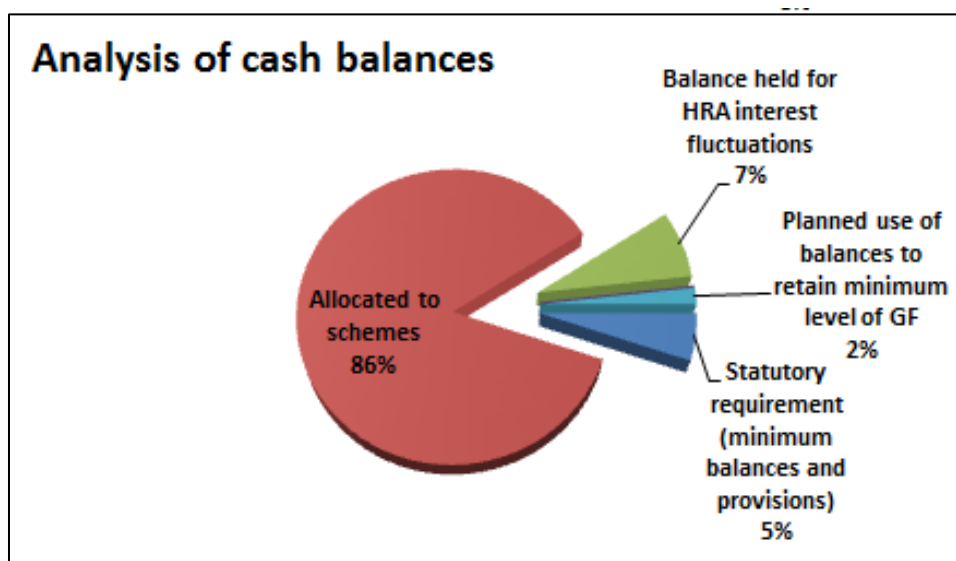
4.3.1 As at 1 April 2021 cash balances held by SBC totalled £73.15 Million. The current revised cash balance expected to be held as at 31 March 2022 is £72.4 Million. The breakdown of these cash balances is shown in the following chart.

Chart One: Cash Balances expected as at 31 March 2022



4.3.2 These cash balances can be further analysed between allocated to schemes, held for statutory requirements and held for third parties. This identifies that all of the £72.4 Million of cash resources have been allocated. Unless allocated reserves are no longer needed in the future, there are **currently no cash resources available** for new projects.

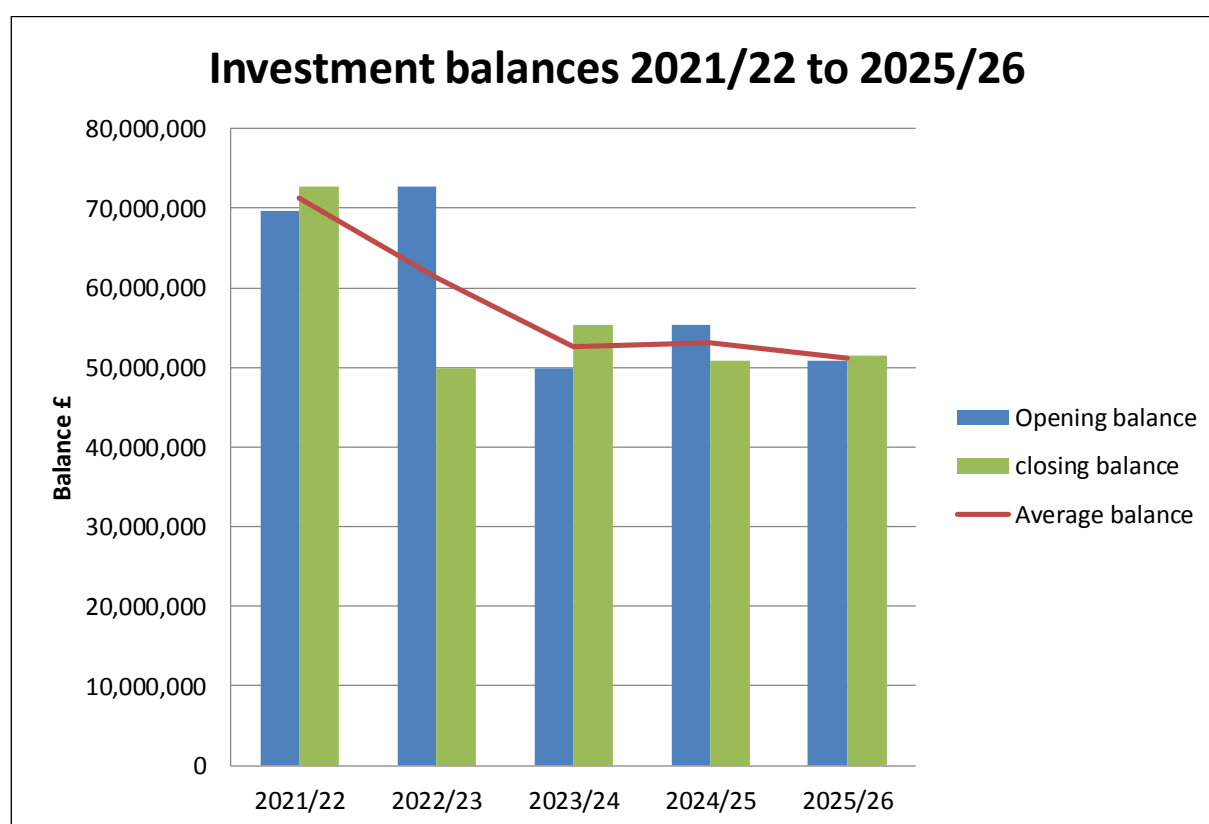
Chart Two: Analysis of Cash Balances



4.3.3 Cash investment balances are expected to be £72.4 Million by 31 March 2022 (reserves and balances of £83.8 Million less actual internal borrowing of £11.2 Million), but this is dependent on current spending projections and approved borrowing included in the capital strategy and current HRA business plan (General Fund - £4.182Million and HRA - £29.547Million) for 2021/22. Decisions as to when to take this borrowing will be considered based on cash balances and anticipated interest rates.

4.3.4 The forecast investment balances to 2025/26 has been updated to reflect the latest General Fund MTFs and HRA MTFs projections and the revised capital programme. Note that, like the pie chart in paragraph 4.3.2, the balances in the chart below includes those being held on behalf of third parties.

Chart Three: Investment Balances forecast



4.4 Prudential Indicators

4.4.1 It is a statutory duty for the Council to determine and keep under review its affordable borrowing limits. The Council's approved Treasury and Prudential Indicators, (which measures affordability limits), are included in the approved Treasury Management Strategy and an update on those indicators is included in this report. During the year to date, the Council has operated within the treasury and prudential indicators set out in that strategy. Further explanation of key prudential indicators is given below and is also shown in Appendix A.

4.4.2 **Borrowing and the 2021/22 Capital Financing Requirement (CFR)** - The Council's underlying need to borrow for capital expenditure is referred to as the Capital Financing Requirement (CFR). The Council's original estimate and latest CFR for the year is shown in the table below. The estimate of the CFR for

2021/22 has been updated for the capital strategy approved by Members (20 October 2021 Executive). Further updates may be required pending completion of the external audit of the 2019/20 and 2020/21 accounts.

4.4.3 The HRA MTFS update (HRA 2021/22 - 2025/26) will be reported to the 17 November 2021 Executive, and the Final HRA and Rent Setting Report 2022/23 to Executive to the 19 January 2022 Executive and to Council on 26 January 2022. The CFR and Prudential Indicators included in this report have been updated to reflect the current projections for the HRA revised business plan.

Table Two: Capital Financing Requirement 2021/22			
	2021/22 Original: Annual TM Strategy (Approved Council February 2021)	2021/22 Revised: Annual TM Review of 2020/21 (Approved Council October 2021)	2021/22 Revised: Mid- Year Review (Executive November 2021)
CFR Calculation	£'000	£'000	£'000
Opening Balance	264,817	266,800	266,800
Closing Capital Financing Requirement (General Fund)	31,010	44,372	37,372
Closing Capital Financing Requirement (Housing Revenue Account)	264,076	262,144	262,144
Closing Balance	295,086	306,516	299,516
Increase/ (Decrease)	30,269	39,716	32,716

4.4.4 Total debt repayments made in the first half of 2021/22 relating to principle on PWLB General Fund loans were £131,579 (paid in August). A further repayment of £131,579 will be made in February 2022 in relation to General Fund debt.

4.4.5 The Council could further reduce its CFR by:

- The application of additional capital financing resources (such as unapplied capital receipts) if available; or
- Charging more than the statutory revenue charge (Minimum Revenue Provision (MRP)) each year through a Voluntary Revenue Provision (VRP) which would increase the cost to the General Fund

4.4.6 The **net borrowing position** of the Council at 31 March 2022 is estimated to be **£180.0 Million** (total borrowings/loans of £252.4M less total investments held of £72.4 Million). This updated position also reflects the current projections for the HRA revised business plan.

4.4.7 The **operational boundary and authorised limit** refer to the borrowing limits within which the treasury team operate. To date there have been **no breaches** of either limit in 2021/22).

- 4.4.8 At the time of publication of this report the external audit of the 2019/20 accounts has yet to be completed and the external audit of the 2020/21 accounts has yet to commence. Any changes following the completion of the external audits will be reported to Members in subsequent reports.
- 4.4.9 **Minimum Revenue Provision (MRP)**³ – In 2021/22 the MRP calculated on previous years' borrowing is £465,491, however there will be no MRP charge to the General Fund with respect to borrowing for regeneration assets of £193,703, due to the overpayment calculated following the MRP review, which reviewed the asset lives used in calculating MRP. Based on the current forecasts this 'MRP holiday' period for regeneration assets will result in no MRP charges to the General Fund until 2025/26. Further detail can be found in Appendix E (MRP Policy).
- 4.4.10 MRP needs to be calculated regardless of whether actual external borrowing has been taken and hence differs from the treasury management arrangements, the latter considers utilising cash balances when borrowing rates are higher than investment interest rates.
- 4.4.11 The **ratio of financing costs to net revenue stream** is equal to General Fund interest costs divided by the General Fund net revenue income from Council Tax and Business Rates.
- 4.4.12 The treasury management indicators for 2021/22 onwards have been calculated based on the 1st and 2nd quarter capital programme reported to Executive 20 October 2021. There will be subsequent updates to the capital programme including the capital bidding process for the period 2022/23 to 2026/27 and as such the data relating to future years is indicative only and will be subject to change. The full list of Treasury Prudential Indicators is shown in Appendix A.

4.5 Update on Treasury Management Strategy Position 2021/22

- 4.5.1 The Council's debt and investment position is managed by the treasury management section to ensure adequate liquidity for revenue and capital activities. In addition, investment decisions are based on the security of the investments and spread over a number of counterparties to manage the Council's exposure to risk.
- 4.5.2 The Council's **average investment returns** are modest due to the historically low Bank of England Base Rate which is currently 0.10% and the risk appetite in the treasury management strategy. As at 30 September 2021 the 2021/22 average rate of interest being earned on investments was 0.36% (compared to 0.98% earned in 2020/21). This exceeded the 7 day LIBID benchmark rate of 0.00% (source: LINK Asset Services 21 October 2021).

³ MRP- The Council must base its borrowing decisions in accordance with the Prudential Code which requires the Council to demonstrate a need to borrow and to show the cost of that borrowing for the General Fund is affordable. The Council's MRP policy, as required by CIPFA guidance, is approved annually by Council as part of the Treasury Management Strategy. The calculation of MRP is based upon prior years' borrowing requirement and the life of the assets for which borrowing was required.

4.5.3 At current interest rates it is still prudent to utilise the Council's cash balances (as shown in paragraph 4.3.1) for short-term internal borrowing. However, PWLB borrowing costs will be kept under review and officers will determine whether it may be prudent to take some borrowing at lower interest rates based on the forecast reduction of future cash balances and borrowing identified in the HRA business plan. The decision and timing of when to borrow is being monitored by officers.

4.5.4 The Council's treasury position for the first half of year was as follows:

Table three: Treasury Position 2021/22						
	30 Sep 2021 Principal £'000s	Rate / Return %	Average Life (Yrs)	31 Mar 2022 Principal £'000s	Rate / Return %	Average Life (Yrs)
Fixed rate loans - PWLB	218,835	3.34	12.07	218,703	3.34	11.6
General Fund Prudential Borrowing				4,182		
HRA Borrowing				29,547		
Total Borrowing	218,835	3.37	12.07	252,432	3.34	11.6
CFR				299,515		
less finance lease and other technical adjustments				(29,982)		
less self-financing agreement				(5,929)		
Over/(under) borrowing*				(11,172)		
Investments Portfolio	74,930	0.36	N/A	72,391	0.31	N/A

* financed by internal borrowing (£3.047Million HRA £8.125Million General Fund)

4.5.5 The maturity structure of the debt portfolio was as follows (see also Appendix B):

Table four: Maturity of Debt Portfolio for 2020/21 and 2021/22		
Time to maturity	31 March 2021 Actual £'000's	30 September 2021 Actual £'000's
Maturing within one year	263	263
1 year or more and less than 2 years	263	132
2 years or more and less than 5 years	500	500
5 years or more and less than 10 years	49,656	49,656
10 years or more	168,284	168,284
Total	218,966	218,835

4.5.6 There are two investments with **maturities over one year** as detailed below:

Table five: Maturities Over One Year					
Counterparty	Country	Rating	Deposit amount	Start date	Maturity on
Cambridgeshire County Council	UK	AA	5,000,000	12/04/2021	12/04/2023
Bury MBC	UK	AA	2,300,000	18/05/2020	18/11/2024
			7,300,000		

4.5.7 All other investments held during the first half of 2021/22 are due to mature within one year. A summary of the Council's exposure to fixed and variable rate investments is shown below in Table Six. (See also Appendix B).

Table Six : Fixed and Variable Rate Investment Totals		
	31 March 2021 Actual	30 September 2021 Actual
	£'000's	£'000's
Fixed rate principal	41,000	47,000
Variable rate principal	28,700	27,930
Total	69,700	74,930

4.5.8 Since the last Treasury report, the application to add the CCLA Public Sector Deposit Fund Money Market fund was completed and they have been added to the portfolio, due to the closure of the Amundi Money Market Fund.

4.5.9 There have been **no breaches** of treasury **counter party limits**, with the investment activity during the year conforming to the approved strategy. Any breach would be notified to the Chief Finance Officer. The Council has had no liquidity difficulties and no funds have been placed with the Debt Management Office (DMO) during 2021/22 to date, demonstrating that counterparty limits and availability for placing funds approved in the TM Strategy were working effectively. It is possible that surplus funds borrowed during 2021/22 will be placed in the DMO temporarily, if PWLB borrowing rates are advantageous and cash balances due to the timing of taking out new loans would breach other counterparty limits.

4.5.10 The list of "Approved Countries for Investments" is detailed in Appendix D.

4.5.11 **Money Market Fund Regulatory Change** took place in early 2019, and Liquidity (non-government) Funds were converted from Constant Net Asset Value (CNAV) funds to Low Volatility Net Asset Value (LVNAV) pricing. Government-type funds remained as CNAV funds under the new regulations. These changes have had no impact on the Council's Treasury Management Strategy.

4.5.12 As part of the Council regeneration programme and financial security objectives officers have established special purpose vehicles (SPV) to deliver regeneration in the town and to improve the offer in the private rented sector. These SPV's have included a Limited Liability partnership and a wholly owned company. As completely separate legal entities the board of Directors of the SPV needed to delegate authority for the treasury management function to the Council, for officers to invest monies on behalf of the SPV's subject to Director's delegation. Any sums invested on behalf of theses SPV's will be done in accordance with the Councils own treasury management policies. No such investments have been made on their behalf to date.

4.6 Economic Review & Interest Rate Outlook

4.6.1 UK Growth

The Bank of England's Monetary Policy Report August 2021 reports that UK GDP is expected to have risen by 5% in 2021 Q2, leaving it around 4% below its pre-pandemic level and slightly stronger than expected in the May Report. GDP is expected to grow by around 3% in Q3, somewhat weaker than expected in the May Report, with a small negative impact from recent developments in the pandemic. UK GDP is projected to recover further over the remainder of the year, reaching its pre-pandemic level in 2021 Q4, with demand growth boosted by a waning impact from Covid. Further out, the pace of GDP growth is expected to slow towards more normal rates, partly reflecting the gradual tightening in the stance of announced fiscal policy

4.6.2 Inflation and Bank Rate

Twelve-month CPI inflation fell to 3.1% in September from 3.2% in August. CPI inflation is expected to remain above the 2% target. The latest forecast from the OECD (the Organisation for Economic Co-operation and Development) is that inflation will be running at about 3% at the end of 2022. Inflation has picked up around the world due to higher costs of raw materials, constraints on the supply of goods, stronger consumer demand as economies reopen, and prices bouncing back from drops during the pandemic in some sectors. At its meeting ending on 24 September 2021, the MPC voted unanimously to maintain Bank Rate at 0.1%, which has been the rate since 19 March 2020 in response to the Coronavirus pandemic. Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022, however the MPC has stated that it wants to see what happens to the economy, and particularly to employment once furlough ends at the end of September. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would need to wait until the May meeting when it would have data up until February. Our current forecasts are for the rise to 0.25% to take place in June.

4.6.3 Wage inflation

Following the August MPC meeting, the Governor of the Bank of England Andrew Bailey said, "the challenge of avoiding a steep rise in unemployment has been replaced by that of ensuring a flow of labour into jobs" and that "the Committee will be monitoring closely the incoming evidence regarding developments in the labour market, and particularly unemployment, wider measures of slack, and underlying wage pressures." This flagged up a potential danger that labour shortages could push up wage growth by more than it expects and that, as a result, CPI inflation would stay above the 2% target for longer.

4.6.4 Brexit

The UK left the European Union on 31 January 2020 and an exit deal was agreed between the UK and the EU just before the end of the transition period on 31 December 2020. The initial agreement with the EU only covered trade, so further work remains on the services sector where temporary equivalence has been granted in both directions between the UK and EU and needs to be formalised permanently. Trade agreements with some countries and trading

blocs took effect from 1 January 2021. Other agreements are still under discussion with countries where trading agreements were in place before 1 January 2021, and the Government put in place a UK global tariff and is trading with other World Trade Organisation (WTO) members on WTO terms, while trade with eligible developing countries is taking place under the UK's Generalised Scheme of Preferences. Brexit is likely to lead to a long-term structural change in the UK economy, impacting areas such as trade, investment and immigration.

4.6.7 Budget and Spending Review 2021

On 27 October 2021 the Chancellor delivered his Budget and Spending Review 2021, including the Office for Budget Responsibility (OBR) forecasts.

The main points from the Chancellor's Budget Statement that are relevant to local government are as follows:

- New grant funding for local government has been announced over the next three years, worth £4.8bn. The details of how this funding will be distributed and which services it will be allocated to were not included in the speech. There was also no announcement on funding reform, and no confirmation that the reset would be delayed beyond 1 April 2022.
- The Spending Review document confirms that the Council Tax referendum limit is expected to remain at 2% per annum for the Spending Review Period, with an additional 1% per annum flexibility for social care authorities to increase the Social Care Precept.
- The Business Rates multiplier will, again, be frozen, rather than rising by inflation, as in 2021/22. It is expected that this will be funded by government through a further increase to the multiplier cap compensation grant. The conclusion of the review of Business Rates was also published on 27 October. This included 3-yearly revaluations from 2023, and a new Business Rates improvement relief, which, from 2023, will allow businesses to make improvements and pay no extra business rates for 12 months (it is expected that this relief would be funded for local government).
- Retail, Hospitality and Leisure relief will be extended at 50% for 2022/23, subject to a £110,000 cash cap. This is £5,000 higher than the cap currently applicable to the 66% relief to businesses, which were not (or would not have been) required to close on 5 January 2021. The Government estimates the relief will be worth £1.7bn to business. Again, it is expected that this will continue to be fully funded for local government.
- £560m will be provided for youth services as part of the levelling up agenda. There will also be new funding for community football pitches (£200m+), to support museums and libraries (£800m), and for 100 new 'pocket parks' on small areas of derelict land.
- The public sector pay freeze will not continue, and the intention is to return to the usual system of independent pay commission recommendations for 'fair and affordable' pay rises over the whole Spending Review period. The

minimum wage will be increased to £9.50 per hour, accepting the Low Pay Commission's recommendation.

- Total departmental spending will increase over this Parliament by £150bn, or 3.8% per annum in real terms. There will be a real terms rise in spending for every single department.
- The OBR forecasts predict continued higher inflation, with CPI expected to average 4% over the coming year. The Government consider that this high inflation relates to demand exceeding supply (as demand has recovered more quickly than suppliers can re-mobilise, as economies reopen) and also to the surge in demand for energy, despite continuing disruptions to supply.
- Economic recovery is now expected to be quicker, with a return to pre-COVID levels expected at the turn of the year (earlier than was expected in March). The estimates of the impact from COVID have been reduced from 3% to 2%, and the peak unemployment is now expected to be 5.2% (down from the 12% predicted in March).
- The government will publish a new Charter for Budget Responsibility (which will be subject to a vote in Parliament). The Charter will include two rules, which must be met by the third year of a fiscal period: that underlying Public Sector Net Debt (excluding the Bank of England) must be falling as a percentage of GDP, and, in normal times, the state should only borrow to invest (with everyday spending being paid through taxation). Today's announcement meets these rules. There will also be a target for 3% of GDP to be committed to capital spending.
- Other announcements include an intention to return aid spending to 0.7% in 2024/25 (before the end of the Parliament); reforms to alcohol duties (which will simplify the system using a basic principle that 'the stronger the drink, the higher the rate'); reductions to Air Passenger Duty for domestic flights and a new 'super long haul' rate introduced; a further freeze to fuel duty; and a reduction to the Universal Credit taper from 63% to 55% (which is the amount that Universal Credit falls as income rises from work).

5. IMPLICATIONS

5.1 Financial Implications

- 5.1.1 This report is of a financial nature and reviews the treasury management function for 2021/22 to date. Any consequential financial impacts of the Strategy will be incorporated into the Capital Strategy updates and subsequent quarterly budget monitoring reports.
- 5.1.2 During the financial year to date officers have operated within the Treasury and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

5.2 Legal Implications

- 5.2.1 Approval of the Prudential Code Indicators and the Treasury Management Strategy Indicators are intended to ensure that the Council complies with relevant legislation and best practice.
- 5.2.2 There have been no changes to PWLB borrowing arrangements since the last Treasury report, however there is ongoing consultation on changes to the Prudential and Treasury Management codes. Officers will ensure that any changes are reflected in treasury operations and reporting requirements.

5.3 Risk Implications

- 5.3.1 The current policy of minimising external borrowing only remains financially viable while cash balances are high and the differentials between investment income and borrowing rates remain. Should these conditions change the Council may need to take borrowing at higher rates which would increase revenue costs.
- 5.3.2 There remains uncertainty on the impact of exiting the EU on UK economy and borrowing rates. Officers monitor interest rate forecasts to inform the timing of borrowing decisions.
- 5.3.3 The Council's Treasury Management Strategy is based on limits for counterparties to reduce risk of investing with only a small number of institutions.
- 5.3.4 The thresholds and time limits set for investments in the Strategy are based on the relative ratings of investment vehicles and counterparties. These are designed to take into account the relative risk of investments and also to preclude certain grades of investments and counterparties to prevent loss of income to the Council.

5.4 Equalities and Diversity Implications

- 5.4.1 This report is technical in nature and there are no implications associated with equalities and diversity within this report. In addition to remaining within agreed counterparty rules, the Council retains the discretion not to invest in countries that meet the minimum rating but where there are concerns over human rights issues. Counterparty rules will also be overlaid by any other ethical considerations from time to time as appropriate.
- 5.4.2 The Treasury Management Policy does not have the potential to discriminate against people on grounds of age; disability; gender; ethnicity; sexual orientation; religion/belief; or by way of financial exclusion. As such a detailed Equality Impact Assessment has not been undertaken.

5.6 Climate Change Implications

- 5.6.1 The council's investment portfolio is sterling investments and not directly in companies. However the treasury management team will review the use of Money Market funds to ensure, where possible, money market funds that invest in environmentally sustainable companies are used. In this way the TM

team will align with the Councils ambition to attempt to be carbon neutral by 2030.

BACKGROUND DOCUMENTS

BD1 Prudential Code Indicators and Treasury Management Strategy 2021/22
(24 February 2021 Council)

BD2 Annual Treasury Management Review of 2020/21 (13 October 2021 Council)

APPENDICES

- Appendix A – Prudential Indicators for Mid Year Review.
- Appendix B – Investment and Loan Portfolios
- Appendix C – Specified & Non-Specified Investment Criteria
- Appendix D – Approved Countries for Investments
- Appendix E – MRP Policy

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Appendix A	2021/22 Treasury Management Strategy - Mid year review											
Treasury Management Prudential Indicators												
	2021/22	2021/22	2021/22	2022/23	2022/23	2022/23	2023/24	2023/24	2023/24	2024/25	2024/25	2024/25
Capital Expenditure (Based on Q1 & Q2 Capital report October 2021):	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21- 22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21- 22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21- 22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21- 22
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
General Fund	17,400	20,296	22,322	20,145	20,251	20,522	26,137	26,127	25,976	14,795	14,795	14,735
HRA	52,488	58,263	53,857	56,858	57,209	61,615	37,256	37,186	37,186	28,748	28,818	28,818
Total	69,887	78,559	76,180	77,004	77,460	82,137	63,393	63,314	63,162	43,543	43,613	43,553
	2021/22	2021/22	2021/22	2022/23	2022/23	2022/23	2023/24	2023/24	2023/24	2024/25	2024/25	2024/25
Ratio of financing costs to net revenue stream:	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21- 22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21- 22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21- 22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21- 22
	%	%	%	%	%	%	%	%	%	%	%	%
General Fund Capital Expenditure	4.78%	4.90%	5.06%	5.28%	5.38%	5.56%	6.12%	6.26%	6.46%	6.73%	6.91%	7.13%
HRA Capital Expenditure	16.82%	16.79%	32.10%	17.09%	17.30%	33.90%	17.08%	17.52%	34.38%	16.16%	16.57%	32.52%
General Fund: Net revenue stream is the RSG, NNDR grant and Council Tax raised for the year.												
HRA: The net revenue stream is the total HRA income shown in the Council's accounts from received rents, service charges and other incomes. The ratio of financing costs to net revenue stream reflects the high level												
	2021/22	2021/22	2021/22	2022/23	2022/23	2022/23	2023/24	2023/24	2023/24	2024/25	2024/25	2024/25
Authorised Limit for external debt	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21- 22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21- 22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21- 22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21- 22
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Borrowing - General Fund	45,294	51,372	51,606	51,126	57,298	57,438	52,484	58,511	58,795	51,730	57,612	58,042
Borrowing - Queensway residential	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Borrowing - HRA	272,076	270,144	270,144	287,716	285,784	285,784	299,696	297,764	297,764	299,696	297,764	297,764
Total	332,371	336,515	336,750	353,843	358,082	358,222	367,180	371,275	371,559	366,426	370,376	370,806
The authorised limit in that it is the level up to which the Council may borrow without getting further approval from Full Council. The Council may need to borrow short term for cash flow purposes, exceeding the operational boundary. The authorised limit allows for £8m headroom above the Operational Boundary (£2m General Fund and £6m HRA), which is in addition to our capital plans.												
	2021/22	2021/22	2021/22	2022/23	2022/23	2022/23	2023/24	2023/24	2023/24	2024/25	2024/25	2024/25
Operational Boundary for external debt	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21- 22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21- 22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21- 22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21- 22
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Borrowing - General Fund	43,294	49,372	49,606	49,126	55,298	55,438	50,484	56,511	56,795	49,730	55,612	56,042
Borrowing - Queensway residential	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Borrowing - HRA	266,076	264,144	264,144	281,716	279,784	279,784	293,696	291,764	291,764	293,696	291,764	291,764
Total	324,371	328,515	328,750	345,843	350,082	350,222	359,180	363,275	363,559	358,426	362,376	362,806
The operational boundary differs from the authorised limit in that it is the level up to which the Council expects to have to borrow. The Council may need to borrow short term for cash flow purposes, exceeding the operational boundary. The operational boundary allows for £7m headroom in addition to our capital plans (£5m General Fund and £2m HRA) plus the additional borrowing facility that may be drawn down by the Housing WOC.												
	2021/22	2021/22	2021/22	2022/23	2022/23	2022/23	2023/24	2023/24	2023/24	2024/25	2024/25	2024/25
Gross & Net Debt	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21- 22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21- 22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21- 22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21- 22
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross External Debt - General Fund	6,444	13,201	6,201	12,710	19,570	12,335	14,770	23,351	14,395	14,770	23,351	14,395
Gross External Debt - HRA	257,089	246,231	246,231	272,729	261,871	261,871	284,709	273,851	273,851	284,709	273,851	273,851
Gross External Debt	263,533	259,432	252,432	285,439	281,441	274,207	299,479	297,203	288,247	299,479	297,203	288,247
Less Investments	(58,969)	(59,121)	(72,391)	(49,005)	(40,078)	(49,640)	(47,604)	(42,885)	(55,131)	(42,297)	(41,199)	(50,554)
Net Borrowing	204,564	200,311	180,041	236,434	241,363	224,567	251,875	254,318	233,115	257,181	256,004	237,693
The Gross External Debt is the actual debt taken out by the Council plus any relevant long term liabilities.												
The Net Borrowing is defined as gross external debt less investments. The net borrowing requirement may not, except in the short term, exceed the total capital financing requirement in the preceding year, plus the												
	44651	44651	44651	45016	45016	45016	45382	45382	45382	45747	45747	45747
Capital Financing Requirement	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21- 22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21- 22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21- 22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21- 22
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Capital Financing Requirement GF	31,060	44,372	37,372	36,892	50,298	43,203	38,249	51,511	44,561	37,495	50,612	43,807
Capital Financing Requirement HRA	264,076	262,144	262,144	279,716	277,784	277,784	291,696	289,764	289,764	291,696	289,764	289,764
Total Capital Financing Requirement	295,136	306,515	299,515	316,608	328,082	320,987	329,945	341,275	334,325	329,191	340,376	333,571
The Capital Financing Requirement (CFR) reflects the amount of money the Council would need to borrow to fund it's capital programme. This is split between the Housing Revenue Account CFR (HRACFR) and the General Fund CFR (GFCFR).												

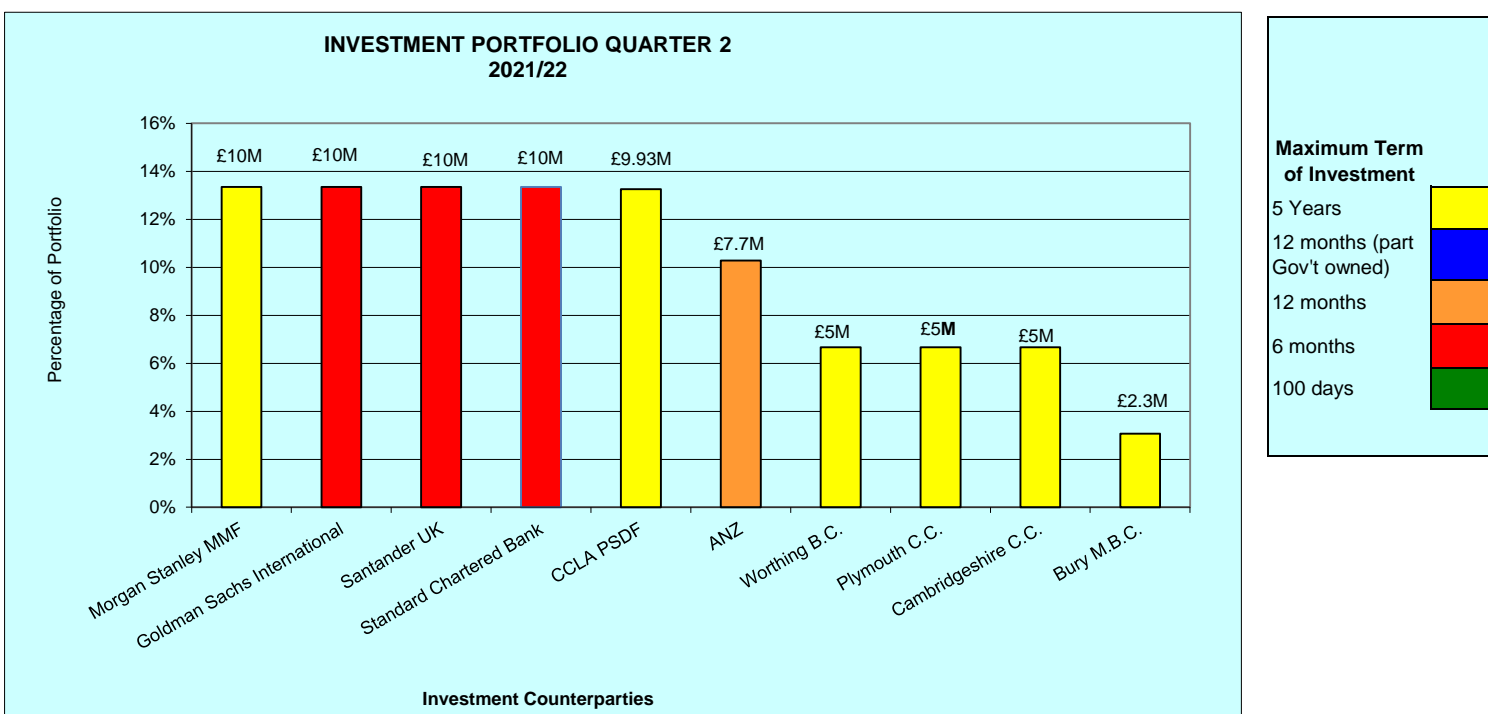
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INVESTMENT PORTFOLIO QUARTER 2 (30th September 2021)

Appendix B

Average interest rate - 2020/21	0.98%
Average interest rate - 2021/22 Q2	0.39%
Bank of England Bank Rate	0.36%

<u>Borrower</u>	<u>Nation</u>	<u>Sovereign Rating</u> <u>(Fitch)</u>	<u>Amount £'s</u>	<u>From</u>	<u>To</u>	<u>Rate %</u>
<u>Money Market Funds (Instant Access)</u>						
CCLA PSDF	UK		9,930,000			0.02
Morgan Stanley MMF	UK		10,000,000			0.03
<u>60 Day Notice</u>						
Santander UK	UK	AA-	1,000,000			0.35
<u>95 Day Notice</u>						
Standard Chartered Bank	UK	AA-	7,000,000			0.37
<u>Fixed Term Deposit</u>						
Standard Chartered Bank	UK	AA-	3,000,000	26-May-21	26-Nov-21	0.20
Goldman Sachs International	UK	AA-	2,000,000	27-May-21	27-Nov-21	0.28
Plymouth City Council	UK	AA-	5,000,000	30-Nov-20	29-Nov-21	0.25
Santander UK	UK	AA-	1,000,000	27-May-21	29-Nov-21	0.20
Worthing Borough Council	UK	AA-	5,000,000	05-Dec-19	06-Dec-21	1.50
Santander UK	UK	AA-	8,000,000	30-Jun-21	30-Dec-21	0.20
Goldman Sachs International	UK	AA-	8,000,000	14-Jul-21	31-Dec-21	0.18
Australia & New Zealand Banking Corp (ANZ)	Aus	AAA	2,700,000	15-Sep-17	14-Sep-22	0.19
Australia & New Zealand Banking Corp (ANZ)	Aus	AAA	5,000,000	27-Sep-21	26-Sep-22	0.25
Cambridgeshire C.C.	UK	AA-	5,000,000	13-Apr-21	12-Apr-23	0.44
Bury M.B.C.	UK	AA-	2,300,000	18-May-20	18-Nov-24	2.00
			74,930,000			



LOAN PORTFOLIO QUARTER 2 (30th September 2021)

Decent Homes Borrowing

<u>Lender</u>	<u>Type</u>	<u>Rate %</u>	<u>Amount £'s</u>	<u>From</u>	<u>To</u>	<u>Life of Loan</u>
PWLB	Fixed Rate/Maturity	4.75	2,000,000	04/03/2010	04/03/2035	25 years
PWLB	Fixed Rate/Maturity	4.28	1,800,000	25/05/2010	25/05/2035	25 years
PWLB	Fixed Rate/Maturity	4.24	963,000	17/08/2010	17/08/2035	25 years
PWLB	Fixed Rate/Maturity	4.65	3,000,000	25/03/2010	25/09/2035	25 1/2 years
PWLB	Fixed Rate/Maturity	1.72	510,000	25/03/2020	25/03/2045	25 Years
PWLB	Fixed Rate/Maturity	1.60	3,500,000	25/03/2020	25/03/2037	17 years
PWLB	Fixed Rate/Maturity	2.06	10,000,000	30/03/2021	30/03/2041	20 years
			21,773,000			

Self Financing Borrowing

<u>Lender</u>	<u>Type</u>	<u>Rate %</u>	<u>Amount £'s</u>	<u>From</u>	<u>To</u>	<u>Life of Loan</u>
PWLB	Fixed Rate/Maturity	2.92	500,000	28/03/2012	28/03/2026	14 years
PWLB	Fixed Rate/Maturity	3.01	8,000,000	28/03/2012	28/03/2027	15 years
PWLB	Fixed Rate/Maturity	3.08	8,700,000	28/03/2012	28/03/2028	16 years
PWLB	Fixed Rate/Maturity	3.15	9,600,000	28/03/2012	28/03/2029	17 years
PWLB	Fixed Rate/Maturity	3.21	10,600,000	28/03/2012	28/03/2030	18 years
PWLB	Fixed Rate/Maturity	3.26	11,000,000	28/03/2012	28/03/2031	19 years
PWLB	Fixed Rate/Maturity	3.30	16,000,000	28/03/2012	28/03/2032	20 years
PWLB	Fixed Rate/Maturity	3.34	17,500,000	28/03/2012	28/03/2033	21 years
PWLB	Fixed Rate/Maturity	3.37	17,600,000	28/03/2012	28/03/2034	22 years
PWLB	Fixed Rate/Maturity	3.40	17,300,000	28/03/2012	28/03/2035	23 years
PWLB	Fixed Rate/Maturity	3.42	15,300,000	28/03/2012	28/03/2036	24 years
PWLB	Fixed Rate/Maturity	3.44	21,000,000	28/03/2012	28/03/2037	25 years
PWLB	Fixed Rate/Maturity	3.46	18,200,000	28/03/2012	28/03/2038	26 years
PWLB	Fixed Rate/Maturity	3.47	19,611,000	28/03/2012	28/03/2039	27 years
PWLB	Fixed Rate/Maturity	3.48	4,000,000	28/03/2012	28/03/2040	28 years
			194,911,000			

Prudential Borrowing

<u>Lender</u>	<u>Type</u>	<u>Rate %</u>	<u>Amount £'s</u>	<u>From</u>	<u>To</u>	<u>Life of Loan</u>
PWLB	Fixed Rate/EIP	2.37	394,737	19/08/2013	19/02/2022	9 1/2 years
PWLB	Fixed Rate	2.29	1,755,950	19/03/2018	19/03/2028	10 years
			2,150,687			

Total Borrowing

218,834,687

**Specified and Non-specified Investment Criteria
(including Treasury Limits and Procedures)**

Table 1

Specified Investments are sterling denominated with maturities up to maximum of one year and must meet the following minimum high credit quality criteria:

Investment Counterparty	Investment Instrument	Minimum High Credit Quality Criteria	Investment Duration
Banks or Building Societies	Overnight Deposit	Fitch: Short Term F1 and Long Term A and Moody, Standard & Poor, equivalent where rated, the lowest rating used where different OR Part-nationalised or Nationalised UK banking institutions (subject to regular reviews of government share percentage).	Maximum duration as per Treasury Advisor's (Capita's) colour coded Credit List, and less than one year
	Notice Account		
	Short Term Deposit		
Debt Management Office or UK Local Authority	Any deposit	No limit.	
Money Market Funds	Instant Access or with Notice	AAA rated	Instant Access or notice period up to one year

Table 2

Non-Specified Investment are sterling denominated with a maturity longer than one year but no longer than five years, and must meet the following criteria:

Investment Counterparty	Investment Instrument	Minimum High Credit Quality Criteria	Investment Duration
Banks or Building Societies	Any deposits with maturity up to a maximum of five years	Fitch: Short Term F1+ and Long Term AA- and Moody, Standard & Poor, equivalent where rated, the lowest rating used where different	Maximum duration suggested by Treasury Advisor's (Capita's) colour coded Credit List, and not in excess of five years
Debt Management Office or UK Local Authority		No Limit.	

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Table 3 **Treasury Limits**

Investment Instrument	Cash balances less than £30Million	Cash balances higher than £30Million
	Limits	Limits
Variable Rate Investments (Excluding Enhanced Cash Funds)	Maximum holding £30M	Maximum holding 100%
Counterparty limits (to encompass all forms of investment)	Maximum £5M	Maximum £10M
Instant Access Or Overnight Deposit	Maximum holding 100%	
Fixed Rate less than 12 month maturity	Maximum holding 100%	
Fixed Rate more than 12 months to maturity (includes all types of Fixed Rate Investments i.e. Certificates of Deposits)	Maximum £5M	Maximum £10M
Money Market Funds - Traditional Instant Assess (Counterparty Limit per Fund)	Maximum £5M per MMF	Maximum £10M per MMF
	No limit on total cash held	
Enhanced Cash Funds	Maximum £3M	
Certificates of Deposits	Maximum £5M	
Property Funds	Maximum of £3M - No durational limit. Use would be subject to consultation and approval	

Procedures of Applying the Criteria and Limits	
	Before the Treasury Team makes an investment, the Team will follow the follow procedure to ensure full compliance with the Specified and Non-Specified Criteria and Treasury Limits:
1	Check that the Counterparty is on the Counterparty List (also known as Current Counterparty Report for Stevenage) produced by Link Asset Services (LAS), specifically meeting the Council's Specified and Non-specified Minimum High Credit Quality Criteria in the above Table 1 & 2. If it is not on the list, the Treasury Team will not invest with them.
2	If the Counterparty is on the list, then the Treasury Team refers to the Credit List produced by LAS in colour coding, to determine the maximum investment duration suggested for the deposit, as per the column of Suggested Duration (CDS Adjusted with manual override).
3	Refer to the Treasury Limits in the above Table 3 to ensure the amount invested complies with the Treasury Limits.

APPENDIX D: Approved Countries (with Approved counterparties) for Investments (September 2021)

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Singapore
- Sweden
- Switzerland
- U.S.A.

AA+

- Canada
- Finland

AA

- United Arab Emirates
- France

AA-

- Belgium
- Qatar

The UK is exempt from the sovereign rating criteria as recommended by Link Asset Services

The above list includes the possible countries the Council may invest with. Not all of these countries are used or will be used in treasury management investments

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Minimum Revenue Provision Policy

Minimum Revenue Provision Policy Statement 2021/22

From 2013/14, the council has not had a fully funded capital programme, and although there has not been a need to borrow in full externally, due to the use of investment balances, it is necessary to make adequate provision for the repayment of debt in the form of Minimum Revenue Provision, including in 2021/22 for the unfunded element of 2011/12 to 2014/15 expenditure. The **preferred method for existing underlying borrowing is Option 3 (Asset Life Method)** whereby the MRP will be spread over the useful life of the asset. Useful life is dependent on the type of asset and was reviewed in 2019/20. Following that review asset lives now ranges from 7 years (ICT equipment) to 50 years (Investment properties, regeneration sites and car parks for example).

In applying the new asset lives historic MRP had been overpaid and in accordance with MHCLG MRP Guidance can be reclaimed in future years. The council has a policy to ring fence costs and income associated with regeneration assets and as such has shown these MRP changes separately, see table below. The overpayment of £1,057,660.39 results in no MRP needing to be charged to the accounts for the regeneration assets until 2025/26, when a partial charge will be required, utilising the remainder of the overpayment balance.

voluntary MRP made		Use of overpayment	
	Regeneration		Regeneration
2012/13	£46,929.65	2020/21	£193,703.12
2013/14	£140,788.95	2021/22	£193,703.12
2014/15	£163,165.30	2022/23	£193,703.12
2015/16	£141,355.30	2023/24	£193,703.12
2016/17	£141,355.30	2024/25	£193,703.12
2017/18	£141,355.30	2026/26	£89,144.79
2018/19	£141,355.30		
2019/20	£141,355.30		
cumulative total	£1,057,660.39	cumulative total	£1,057,660.39

The Council approved a **Property Investment** Strategy – an investment of £15Million in property funded from prudential borrowing. As having Investments for Yield in the capital strategy are no longer permitted, only the MRP payable of £35,119 per year on the investment made of £1,755,950 which will be payable. This was calculated under **Option 3 (Asset Life Method) and the annuity method**, which links the MRP to the flow of benefits from the properties.

The forecast annual MRP for 2021/22 is £388,957 based on the capital expenditure in the draft 2020/21 Financial Accounts, with the lower figure of £195,254 needing to be charged to the 2021/22 Financial Accounts taking into account the overpayment on the regeneration assets. The forecast annual MRP for 2022/23 is £408,312 with £214,609 to be charged to the 2022/23 Financial Accounts.

Finance lease payments due as part of the Queensway regeneration project are also applied as MRP, funded from the payments received in the year, as will any MRP due on borrowing taken in relation to the Housing Wholly Owned Company.

Additional Information

1. What is a Minimum Revenue Provision (MRP)?

The Minimum Revenue Provision is a charge that Councils which are not debt free are required to make in their accounts for the repayment of debt (as measured by the underlying need to borrow, rather than actual debt). The underlying debt is needed to finance the capital programme. Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. It is therefore prudent to charge an amount for the repayment of debt over the life of the asset or some similar proxy figure, allowing borrowing to be matched to asset life. Setting aside an amount for the repayment of debt in this manner would then allow for future borrowing to be taken out to finance the asset when it needs replacing at no incremental cost. The manner of spreading these costs is through an annual Minimum Revenue Provision, which was previously determined under Regulation, and is now determined by Guidance.

2. Statutory duty

Statutory Instrument 2008 no. 414 s4 lays down that:

“A local authority shall determine for the current financial year an amount of minimum revenue provision that it considers to be prudent.”

The above is a substitution for the previous requirement to comply with regulation 28 in S.I. 2003 no. 3146 (as amended).

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.

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

3. Government Guidance

Along with the above duty, the Government issued guidance which came into force on 31st March 2008 which requires that a Statement on the Council's policy for its annual MRP should be submitted to the full Council for approval before the start of the financial year to which the provision will relate.

The Council is legally obliged to “have regard” to the guidance, which is intended to enable a more flexible approach to assessing the amount of annual provision than was required under the previous statutory requirements. The guidance offers four main options under which MRP could be made, with an overriding recommendation that the Council should make prudent provision to redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits. The requirement to ‘have regard’ to the guidance therefore means that: -

Although four main options are recommended in the guidance, there is no intention to be prescriptive by making these the only methods of charge under which a local authority may consider its MRP to be prudent.

It is the responsibility of each authority to decide upon the most appropriate method of making a prudent provision, after having had regard to the guidance.

The four recommended options are thus:

Option 1: Regulatory Method

Under the previous MRP regulations, MRP was set at a uniform rate of 4% of the adjusted CFR (i.e. adjusted for “Adjustment A”) on a reducing balance method (which in effect meant that MRP charges would stretch into infinity).

This historic approach must continue for all capital expenditure incurred in years before the start of this new approach. It may also be used for new capital expenditure up to the amount which is deemed to be supported through the Supported Capital Expenditure (SCE) annual allocation.

Option 2: Capital Financing Requirement Method

This is a variation on option 1 which is based upon a charge of 4% of the aggregate CFR without any adjustment for Adjustment A, or certain other factors which were brought into account under the previous statutory MRP calculation. The CFR is the measure of an authority’s outstanding debt liability as depicted by their balance sheet.

This is not applicable to the Council as it is for existing non supported debt

Option 3: Asset Life Method.

This method may be applied to most new capital expenditure, including where desired that which may alternatively continue to be treated under options 1 or 2.

Under this option, it is intended that MRP should be spread over the estimated useful life of either an asset created, or other purpose of the expenditure. There are two useful advantages of this option: -

Longer life assets e.g. freehold land can be charged over a longer period than would arise under options 1 and 2.

No MRP charges need to be made until the financial year after that in which an item of capital expenditure is fully incurred and, in the case of a new asset, comes into service use (this is often referred to as being an ‘MRP holiday’). This is not available under options 1 and 2.

There are two methods of calculating charges under option 3:

equal instalment method – equal annual instalments,

annuity method – annual payments gradually increase during the life of the asset.

This is the preferred method as it allows costs to be spread equally over the life of the asset.

Option 4: Depreciation Method

Under this option, MRP charges are to be linked to the useful life of each type of asset using the standard accounting rules for depreciation (but with some exceptions) i.e. this is a more complex approach than option 3.

The same conditions apply regarding the date of completion of the new expenditure as apply under option 3.

This method is not favoured by the Council as if the asset is subject to a downturn in value, then that amount would have to be written off in that year, in addition to the annual charge

4. Date of implementation

The previous statutory MRP requirements ceased to have effect after the 2006/07 financial year. Transitional arrangements included within the guidance no longer apply for the MRP charge for 2009/10 onwards. Therefore, options 1 and 2 should only be used for Supported Capital Expenditure (SCE). The CLG document remains as

guidance and authorities may consider alternative individual MRP approaches, as long as they are consistent with the statutory duty to make a prudent revenue provision.

Part 1 – Release to Press



Meeting Audit Committee

Portfolio Area Resources

Date 10th November 2021



APPONTMENT OF EXTERNAL AUDITORS – OPTING IN TO THE PUBLIC SECTOR AUDIT APPOINTMENTS (PSAA) PROCESS

NON KEY DECISION

1 PURPOSE

1.1 Local Authorities are required under legislation to appoint their own External Auditors. The Local Audit and Accountabilities Act 2014 requires Local Authorities to decide between opting from one of the following two options available:

1. The Council running its own procurement exercise.
2. Utilising the Public Sector Audit Appointments (PSAA), under the appointing persons regime (Local Audit (Appointing Person) Regulations 2015).

1.2 Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt-in must be made by Full Council.

2 RECOMMENDATIONS

2.1 That Members agree:

- i. That the Committee recommends to Council that the Council will opt into the appointing arrangements made by the Public Sector Audit Appointments

(PSAA) for the appointment of External Auditors covering the period April 2023 to March 2028; and

ii. That the Executive Director Finance (S151) confirms the Council's interest in undertaking the opt-in appointing process following ratification by Council.

3 BACKGROUND

- 3.1 Public Sector Audit Appointments Limited (PSAA) was incorporated by the Local Government Association (LGA) in August 2014. PSAA is a company limited by guarantee without share capital and is a subsidiary of the Improvement and Development Agency (IDeA) which is wholly owned by the LGA.
- 3.2 In July 2016, the Secretary of State for Housing Communities and Local Government specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.
- 3.3 Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme.
- 3.4 PSAA has a responsibility for ensuring that the company delivers the following objectives:
- Appointing auditors to all relevant authorities;
 - Setting scales of fees, and charging fees, for the audit of accounts of relevant authorities and consulting with relevant parties in relation to those scales of fees;
 - Ensuring effective management of contracts with audit firms for the delivery of consistent, quality and effective audit services to relevant authorities;
 - Ensuring that public money continues to be properly accounted for and protected;
 - Being financially responsible having regard to the efficiency of operating costs and transparently safeguarding fees charged to audited bodies; and
 - Leading its people as a good employer, ensuring that it continues to be fit-for-purpose; motivating and supporting its staff; and communicating with them in an open, honest and timely way.
- 3.5 The Council opted-in to the last procurement exercise undertaken by PSAA in 2017 and under this agreement External Audit services have been supplied through the PSAA procurement route for the accounts since 2018/2019. This arrangement will end for the accounts for 2022/2023 and PSAA is undertaking the next procurement exercise for the external audit of the accounts from 2023/2024 for a period of 5 years. As Members will know, the Council's auditors are Ernst & Young.

- 3.6 In September 2021, the PSAA issued their invitation to all principal local government organisations (including police and fire bodies) to confirm that they wished to opt into the next national scheme for auditor appointments which will commence in April 2023 and run until March 2028.
- 3.7 The PSAA has also published its strategy for the procurement of audit services contracts for the second appointing period. Their stated aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long-term competitive and more sustainable market for local public audit services.
- 3.8 A decision to become an opted-in authority must be taken in accordance with the Regulations (i.e., by agreement at Full Council). To become an opted-in authority, the form of acceptance notice has to be completed and returned to PSAA by 11 March.
- 3.9 The Local Government Association (LGA) ‘supports the appointing person arrangements and encourages as many eligible bodies as possible to opt in. It believes the national scheme remains the best option councils can choose. In its view, there are many reasons for favouring the national arrangements and those reasons have become more compelling since 2016/17 when councils were last asked to make this choice.’

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Option 1: Make a Stand-Alone Appointment through a Council Auditor Panel

- 4.1.1 The Council procuring its own auditor or procuring through a joint arrangement means setting up an Audit Panel with an independent chair to oversee the procurement and running of the contract. This option would provide the Council with the scope to select panel members with an appropriate skill set and understanding of the Council’s particular circumstances and would enable the panel to make an informed choice as to the most suitable audit firm for Stevenage Borough Council, minimising the risk of incurring unnecessary costs of appointment.
- 4.1.2 However, it is unlikely that this approach would be the best means of securing the appointment of a suitable external auditor. A local procurement would be drawing from the same limited supply of auditor resources as PSAA’s national procurement scheme, and the larger firms may consider a single authority contract too small to bid for. In addition, both the procurement process and the ongoing contract management would be additional administrative burdens for the Council.
- 4.1.3 Therefore, self-procuring provides no obvious benefits:

- The service being procured is defined by statute and by accounting and auditing codes
- Possible suppliers are limited to the small pool of registered firms with accredited Key Audit Partners (KAP).

4.1.4 This option is therefore not recommended.

4.2 Option 2: Opt-in to the PSAA Arrangements

- 4.2.1 There is no fee levied directly by the PSAA to the local authorities for appointing auditors or for managing the arrangements. These costs are instead recovered through audit fees set by PSAA. The company is staffed by a team with significant experience of working within the context of the Regulations to appoint auditors, manage contracts with audit firms, and set and determine audit fees. Many of them have transferred from predecessor bodies such as the Audit Commission.
- 4.2.2 The Scale Fee for the Council's audit has remained fixed for the past three years at £49,283 per annum. However, there have been fee increase requests since the 2017/18 audit. Members should note that the issues with the 2019/20 audit will cause a fee variation.
- 4.2.3 The PSAA has worked closely with the LUCLG to enable the Government to consult on changes to the fee setting arrangements to deal better with variations at national and local level, which may result in more flexible and appropriate Regulations later this year.
- 4.2.4 It should however be noted that under the current PSAA regime only 9% of local government audits for last year (2020/21) were completed by the end of September. This is a sharp reduction on the 45% filed on time for 2019/20, and is the third successive year where the number of accounts produced on schedule has reduced.
- 4.2.5 Sir Tony Redmond's review, published in September 2020, has highlighted that the current fee structure does not enable auditors to comply with their contractual obligations. He said an increase in fees must be considered, given the fact that so many audits fail to meet statutory deadlines.
- 4.2.6 When appointment options were last considered by Audit Committee and Council, the PSAA route was considered the most attractive.

4.2.7 This option is therefore recommended.

5 IMPLICATIONS

5.1 Financial Implications

Opting in provides the most cost effective procurement option. The cost of the Council undertaking its own procurement process would be higher than the PSAA route. Opting in offers greater opportunity to achieve a lower audit base fee due to economies of scale and buying power available under joint procurement. As at April 2021, 540 public sector bodies were opted in to the PSAA.

Until the procurement exercise is completed it is not possible to identify the financial impact of the process and Audit Fees for 2023/2024. However, as stated the PSAA option should deliver a lower cost compared to self-procuring as there is greater opportunity through using PSAA and any increase will be minimised with better quality options.

5.2 Legal Implications

None.

5.3 Risk Implications

The principal risks are that the Council:

- Fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation; or
- Does not achieve value for money in the appointment process.

These risks are considered best mitigated by opting into the sector-led approach through the PSAA.

The process as set out above and the recommendations should ensure compliance with the Local Audit and Accountability Act 2014.

5.4 Other Corporate Implications

The appointment of External Auditors is a key part of the Council's overall governance and control strategy.

BACKGROUND DOCUMENTS

None.

APPENDICES

None.

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STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

Date: Wednesday, 10 November 2021

Time: 6.00pm

Place: Council Chamber, Daneshill House, Danestrete, Stevenage

Present: Councillors: Teresa Callaghan (Chair), Myla Arceno, Stephen Booth, Graham Lawrence, Maureen McKay and Claire Parris.
Mr Geoffrey Gibbs (Independent Co-opted Non-voting Member).

Start / End Time: Start Time: 6.00pm
End Time: 7.00pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

The Chair welcomed everyone to the meeting, especially Martin Hone (Interim Assistant of Finance & Estates) who was attending his first meeting of the Committee.

Apologies for absence were submitted on behalf of Councillors Julie Ashley-Wren, John Gardner, Nicholas Leech and Lou Rossati.

There were no declarations of interest, although Mr Geoff Gibbs (Independent Co-opted Non-voting Member) stated that, as Item 5 on the agenda related to his position on the Committee, he would be withdrawing from the meeting prior to Members' consideration of that item.

2 MINUTES - 8 SEPTEMBER 2021

It was **RESOLVED** that the Minutes of the meeting of the Audit Committee held on 8 September 2021 be approved as a correct record and signed by the Chair.

3 APPOINTMENT OF EXTERNAL AUDITORS - OPTING IN TO THE PUBLIC SECTOR AUDIT APPOINTMENTS (PSAA) PROCESS

The Interim Assistant Director (Finance & Estates) presented a report in respect of opting in to the Public Sector Audit Appointments (PSAA) process for the appointment of external auditors covering the period April 2023 to March 2028.

The Interim Assistant Director (Finance & Estates) advised that Local Authorities were required under legislation to appoint their own External Auditors. The Local Audit and Accountabilities Act 2014 required Local Authorities to decide between opting from one of the following two options available:

1. The Council running its own procurement exercise; or

2. Utilising the Public Sector Audit Appointments (PSAA), under the appointing persons regime (Local Audit (Appointing Person) Regulations 2015).

The Committee noted that Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 required that a decision to opt-in must be made by Full Council.

The Interim Assistant Director (Finance & Estates) reminded Members that the Council opted-in to the last procurement exercise undertaken by PSAA in 2017 and, under this agreement, External Audit services had been supplied through the PSAA procurement route for the accounts since 2018/2019. This arrangement will end for the accounts for 2022/2023 and PSAA was undertaking the next procurement exercise for the external audit of the accounts from 2023/2024 for a period of 5 years. As Members were aware, the Council's auditors were Ernst & Young.

As outlined in the report, the Interim Assistant Director (Finance & Estates) had concluded that there were no obvious benefits in the Council appointing its own External auditor. The benefits of continuing with the PSAA regime were stated in the report, including the fact that the auditors appointed by the PSAA possessed significant experience of working with public sector organisations and the complexities associated with undertaking local authority audits. This option was therefore recommended.

In response to a series of Members' questions, the Strategic Director (CF) commented as follows:

- the PSAA process for the appointment of auditors would comprise 89 lots and 2 development lots. The PSAA would allocate auditors, and whilst it was possible that Ernst & Young would be appointed again for SBC, there was no way of knowing. The PSAA was endeavouring to attract "new" audit firms to participate in the process;
- the scale annual audit fee was quite low in value (approx. £49,000), but because of the increased rigour required by the Government in the audit of local authority accounts the likelihood of "add-on" fees was increased. This was particularly the case should an authority (like SBC) have a Housing Revenue Account and substantial Capital Programme, which increased the complexities and risk levels of the audit;
- at present, most of the Hertfordshire local authorities were audited by Ernst & Young. Going forward, the authorities in each lot would not necessarily be audited by the same audit company;
- the nationwide shortage of auditors (and the specialist nature of local authority audit) would lead to the conclusion that to opt-in to the PSAA process would seem a prudent approach, both in terms of the resilience and experience of those undertaking the audit. To opt out would place the Council at risk of a sub-standard audit or possibly being in a position where it was unable to appoint any suitable audit firm; and
- there was no monetary fine for being late in the finalisation of an audit, although there would always be a knock-on impact on future audits. The exception was for Housing Benefits audits, whereby the Department of Work & Pensions could fine authorities for a late return. Fortunately, they had chosen not to do so during the Covid pandemic.

It was **RESOLVED:**

1. That Council be recommended to approve that SBC will opt in to the appointing arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of External Auditors covering the period April 2023 to March 2028.
2. That the Strategic Director (Section 151 Officer) confirms SBC's interest in undertaking the opt-in appointing process following ratification by Council.

4 ADOPTION OF AN ANTI-FRAUD & CORRUPTION STRATEGY; ANTI-MONEY LAUNDERING POLICY; AND FRAUD SANCTIONS POLICY

The Interim Assistant Director (Finance & Estates) presented a report seeking approval to the adoption of an Anti-Fraud & Corruption Strategy; an Anti-Money Laundering Policy; and a Fraud Sanctions Policy.

In respect of the Anti-Fraud & Corruption Strategy, the Interim Assistant Director (Finance & Estates) advised that the document had been updated to reflect best practice and was consistent with the strategies adopted by Hertfordshire County Council and the other Hertfordshire Borough/District Councils that participated in the Shared Anti-Fraud Service.

With regard to the Anti-Money Laundering Policy, the Interim Assistant Director (Finance & Estates) commented that, even though there were an increasing number of electronic monetary transactions, it was felt that the policy was robust and fit for purpose. Any suspected money laundering incidents were required to be reported to the Shared Anti-Fraud Service.

In relation to the Fraud Sanctions Policy, the Interim Assistant Director (Finance & Estates) stated that this was mainly geared towards internal processes and procedures. The sanctions in the policy ranged from "no further action" to "criminal prosecution", all as set out in the document. Once commenced, the reporting process would remain confidential.

It was **RESOLVED:**

1. That the proposed Anti-Fraud and Corruption Strategy, as set out at Appendix A to the report, be adopted.
2. That the proposed Anti-Money Laundering Policy, as set out at Appendix B to the report, be adopted.
3. That the proposed Fraud Sanctions Policy, as set out at Appendix C to the report, be adopted.

5 INDEPENDENT MEMBER OF AUDIT COMMITTEE

[Prior to the consideration of the report, the Independent Co-opted Non-voting Member (Mr Geoff Gibbs) withdrew from the meeting for the duration of the

Committee's debate on this item.]

The Interim Assistant Director (Finance & Estates) presented a report in respect of proposed extension for one year of the term of office of the current Independent Co-opted Non-voting Member of the Audit Committee.

The Interim Assistant Director (Finance & Estates) advised that the four year term of office of the current Independent Co-opted Non-voting Member expired in July 2022. The report proposed a one year extension to this term of office. The current incumbent had indicated that he would be willing for his tenure to be extended, and the Chair of the Committee had expressed her support to this course of action. The current incumbent had indicated that he would like to become more involved in the scrutiny work undertaken in support of the activities of the Committee.

In reply to a Member's question as to whether Mr Gibbs could re-apply for the position at the end of his one-year extension, the Strategic Director (CF) advised that best practice was for the rotation of Independent Members. She added that the qualification required to act as the Independent Member was some form of extensive governance/finance experience.

The Strategic Director (CF) undertook to provide Committee Members with the Job Description for the Independent Member, and to seek the views of Mr Gibbs on this document in due course, prior to the commencement of the recruitment process for a new Independent Member.

It was **RESOLVED** that the tenure of the current Independent Member of the Committee (Mr G. Gibbs) be extended for a further year (from July 2022 to July 2023) on the same terms as previously agreed.

6 PROGRESS OF CORPORATE AND SERVICE GOVERNANCE ACTIONS

The Corporate Performance & Improvement Officer presented a Mid Year update report detailing the progress of Corporate and Service governance actions identified in the Council's 2020/21 Annual Governance Statement.

In respect of Corporate Governance enhancement activity, the Corporate Performance & Improvement Officer advised that this was deemed significant if recommended for inclusion in the Annual Governance Statement by the Shared Internal Audit Service following their review of control arrangements to meet the Audit Plan, or if identified as key to the management of 'very high/high level' strategic risks. Appendix A to the report outlined the progress on Corporate Governance enhancement actions included in the 2020/21 Annual Governance Statement from April to September 2021.

With regard to Service Governance Enhancement activity, the Corporate Performance & Improvement Officer explained that this related to business unit level activity and, in order to comply with the principles of good governance, required all Assistant Directors to complete, certify and return a Service Assurance Statement each year. Appendix B to the report outlined the progress of Service Governance enhancement actions identified during the service assurance review of service

governance at business unit level from April to September 2021.

The Corporate Performance & Improvement Officer commented that the Committee would receive a full year update on both Corporate and Service Governance actions at its March 2022 meeting.

In response to a question from the Chair, the Strategic Director (CF) replied that a small number of the Service governance actions shown as “not started” within the Finance & Estates service area was primarily due to staffing/resourcing issues, and that once recruitment to key posts took place these actions would be progressed.

It was **RESOLVED:**

1. That the progress to date of corporate governance actions to strengthen the Council’s corporate governance arrangements, as identified in the Council’s 2020/21 Annual Governance Statement reported to Audit Committee on 8 June 2021, be noted.
2. That the progress to date of service governance actions identified by the 2020/21 Service Assurance reviews carried out at business unit level to strengthen the Council’s service governance arrangements, as reported to Audit Committee on 8 June 2021, be noted.

7 MID YEAR REVIEW OF TREASURY MANAGEMENT STRATEGY 2021/22

The Interim Assistant Director (Finance & Estates) presented a report updating the Committee on Treasury Management activities in 2021/22 and reviewing the effectiveness of the 2021/22 Treasury Management and Investment Strategy, including the 2021/22 prudential indicators.

The Interim Assistant Director (Finance & Estates) had nothing to add to the report, and commented that it was pertinent to the Treasury Management Training undertaken by Audit Committee and Executive Members in October 2021.

In reply to Members’ questions, the Strategic Director (CF) stated:

- the demolition of Swingate House (cost estimate £900,000) referred to in Paragraph 4.1.4 of the report was part of the Development Agreement with Mace, the main contractor for the SG1 regeneration project. These funds needed to be drawn down by February 2022, and the £900,00 figure was the best estimate of costs; and
- it was anticipated that the Council would be advised of its share of the Government’s £4.8Billion grant funding for Local Government for the next three years in mid-December 2021. She had no inkling as to the amount of grant likely to be received by the Council.

It was **RESOLVED:**

1. That Council be recommended to approve the 2021/22 Treasury Management Mid Year review.

2. That Council be recommended to approve the latest approved Countries for Investments list (Appendix D to the report).
3. That the updated authorised and operational borrowing limits be approved (Paragraph 4.4.7 in the report).
4. That the impact of the outstanding decision set out in Paragraph 4.1.4 of the report be noted.

8 URGENT PART I BUSINESS

None.

9 EXCLUSION OF PUBLIC AND PRESS

It was **RESOLVED**:

1. That under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as described in Paragraphs 1 - 7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to information) (Variation) Order 2006.
2. That Members considered the reasons for the following reports being in Part II and determined that the exemption from disclosure of the information contained therein outweighed the public interest in disclosure.

10 PART II MINUTES - AUDIT COMMITTEE - 8 SEPTEMBER 2021

It was **RESOLVED** that the Part II Minutes of the meeting of the Audit Committee held on 8 September 2021 be approved as a correct record and signed by the Chair.

11 STRATEGIC RISK REGISTER

The Corporate Performance & Improvement Officer presented a report in respect of the latest SBC Strategic Risk Register.

The Corporate Performance & Improvement Officer updated the Committee on changes to key risks and answered Members' questions.

It was **RESOLVED**:

1. That the latest Strategic Risk Register (set out in Appendices A1 – A3 to the report) be noted.
2. That developments on risk management issues be noted.

12 URGENT PART II BUSINESS

None.

CHAIR

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By virtue of paragraph(s) 1 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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