WARWICK DISTRICT COUNCIL

Cabinet
Thursday 10 March 2022

A meeting of the Cabinet will be held in the Town Hall, Royal Leamington Spa on Thursday 10 March 2022, at 6.00pm and available for the public to watch via the Warwick District Council YouTube channel.

Councillor A Day (Chairman)

Councillor L Bartlett	Councillor R Hales
Councillor J Cooke	Councillor J Matecki
Councillor J Falp	Councillor A Rhead
Councillor M-A Grainger	

Also attending (but not members of the Cabinet):

Chair of the Finance & Audit Scrutiny Committee	Councillor J Nicholls
Chair of the Overview & Scrutiny Committee	Councillor A Milton
Green Group Observer	Councillor I Davison
Liberal Democrat Group Observer	Councillor A Boad
Labour Group Observer	Councillor M Mangat

Emergency Procedure

At the commencement of the meeting, the emergency procedure for the Town Hall will be announced.

Agenda

1. **Apologies for Absence**

2. **Declarations of Interest**

   Members to declare the existence and nature of interests in items on the agenda in accordance with the adopted Code of Conduct.

   Declarations should be disclosed during this item. However, the existence and nature of any interest that subsequently becomes apparent during the course of the meeting must be disclosed immediately. If the interest is not registered, Members must notify the Monitoring Officer of the interest within 28 days.

   Members are also reminded of the need to declare predetermination on any matter.

   If Members are unsure about whether or not they have an interest, or about its nature, they are strongly advised to seek advice from officers prior to the meeting.

3. **Minutes**

   To confirm the minutes of the meeting held on 10 February 2022. **(To follow)**

Part 1
(Items upon which a decision by Council is required)

4. **Length of Council, Cabinet & Committee meeting**

To consider a report from Democratic Services. **(Pages 1 to 3)**

5. **Treasury Management Strategy 2022/23**

To consider a report from Finance. **(Pages 1 to 51)**

Part 2
(Items upon which a decision by Council is not required)

6. **Trees for our Future**

To consider a report from Environment & Operations. **(Pages 1 to 17)**

7. **Community Infrastructure Levy (CIL) Projects List for 2022/23**

To consider a report from Place & Economy. **(Pages 1 to 12)**

8. **Annual Review of Regulation of Investigatory Powers Act (RIPA) Policy**

To consider a report from Finance.
(Pages 1 to 5 and Appendices 1 to 3)

9. **Use of Delegated Emergency Powers**

To consider a report from the Chief Executive. **(Pages 1 to 3)**

10. **Public and Press**

To consider resolving that under Section 100A of the Local Government Act 1972 that the public and press be excluded from the meeting for the following items by reason of the likely disclosure of exempt information within the paragraphs of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006, as set out below.

Item Numbers	Paragraph Numbers	Reason
11	3	Information relating to the financial or business affairs of any particular person (including the authority holding that information)

11. **Minutes**

To confirm the confidential minutes of the 10 February 2022 meeting.

(Pages 1 to 5)
(Not for publication)

Published Thursday 17 February 2022

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For enquiries about specific reports, please contact the officers named in the reports. You can e-mail the members of the Cabinet at cabinet@warwickdc.gov.uk

Details of all the Council's committees, Councillors and agenda papers are available via our website on the Committees page

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Agenda Item No 4
Cabinet
10 March 2021

Title: Length of Council, Cabinet & Committee meetings
Lead Officer: Phil Grafton Monitoring Officer
Portfolio Holder: Councillor Day
Wards of the District directly affected: None

Summary

The report brings forward proposals for length of meetings of the Council/Cabinet and Committees.

Recommendation(s)

The Cabinet recommends to Council that Council procedure rules are amended so that:

1. A formal break in the meeting is to be taken, of no less than 10 minutes, after no later than two and a half hours into a meeting, at the at the conclusion of an item, unless at least half of those present agree to continue;
2. That no item of business will be started after 9.30pm unless at least half of those present agree to proceed. The proposal must be moved by the Chairman of the meeting, duly seconded and voted upon; and
3. If the motion in 2 is lost any remaining business will either be adjourned/deferred to a time and date fixed, which is to be no earlier than 6.00pm the next working day, by the Chairman; but if no date is fixed any item not considered will stand deferred to the next scheduled meeting of the Council/Cabinet/Committee.

1 Background/Information

1.1 The proposals are brought forward following discussion with Group Leaders.

1.2 An investigation into a complaint, about the handling and determination of a planning application, highlighted the potential risks and impact of taking decisions late into the evening, especially on more technical matters

1.3 Informally officers and Councillors have raised concerns about length of Council/Cabinet and Committee meetings after working during the day.

1.4 Lengthy and/or late finishing meetings can also pose a wider risk to health, safety and well-being of those participating and this report seeks to provide some assurance and mitigations against long meetings.

1.5 In essence the proposal formalise the understanding currently in place with Chairmen on a break after two hours and to minimise meetings going on significantly past 10.00pm. The recommendations provide a framework to support those decisions so they are clear and transparent for all parties.

2 Alternative Options available

2.1 The Cabinet could decide not to progress with the proposals and or amend the proposed times, however the proposal provides a structured approach which allows for variation at individual meetings.

3 Consultation and Member's comments

3.1 The report has been discussed with the Group Leaders who support the proposals.

4 Implications of the proposal

4.1 Legal/Human Rights Implications

4.1.1 The proposals at the discretion of the Council within the Constitution regulations. They are considered reasonable and proportionate and could be considered as contributing to the Council's duty as an employer, under the Health & Safety at Work Act.

4.2 Financial

4.2.1 The report does not impact on the budget of each Council.

4.3 Council Plan

4.3.1 There are no direct implications for the WDC Business Plan.

4.4 Environmental/Climate Change Implications

4.4.1 The report does not directly impact on the Climate Emergency Action Plans of Council.

4.5 Analysis of the effects on Equality

4.5.1 The report does not directly impact on the protected characteristics defined within the Equalities Act.

4.6 Data Protection

4.6.1 There are no direct implications.

4.7 Health and Wellbeing

4.7.1 . There are no direct implications.

5 Risk Assessment

5.1 There are no significant risks associated with the report and its recommendations. .

6 Conclusion/Reasons for the Recommendation

6.1 The report proposals are considered a reasonable approach to provide clarification on current informal practices, so that process for these are clear for everyone.

Background papers: None

Supporting documents: None

Report Information Sheet

Please complete and submit to Democratic Services with report

Committee / Date	
Title of report	

Officer / Councillor Approval *required	**Date**	**Name**
Ward Members(s)		
Portfolio Holder	21/2/22	Andrew Day
Financial Services *		
Legal Services (*SDC)		
Other Services		
Chief Executive(s)	21/2/22	
Head of Services(s)*	15/2/22	Phil Grafton
Section 151 Officer	21/2/22	Mike Snow
Monitoring Officer	15/2/22	Phil Grafton
CMT (WDC)		
Leadership Co-ordination Group (WDC)	21/2/22	
Other organisations		

Final decision by this Committee or rec to another Cttee / Council?	No Recommendation to: Council
Contrary to Policy / Budget framework?	No
Does this report contain exempt info/Confidential? If so, which paragraph(s)?	No
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?	No
Accessibility Checked?	Yes

Agenda Item No 5
Cabinet Committee
8th March 2022

Title: Treasury Management Strategy 2022/23
Lead Officer: Richard Wilson, Principal Accountant (Capital & Treasury)
01926 456801 or email richard.wilson@warwickdc.gov.uk
Portfolio Holder: Councillor Richard Hales
Wards of the District directly affected: All

Summary

This report details the strategy that the Council will follow in carrying out its treasury management activities in 2022/23

Recommendation(s)

That the Cabinet recommends to Council:

(1) The Treasury Management Strategy for 2022/23 as outlined in paragraph 1.5 and contained in Appendix A.

(2) The deferral of the new reporting requirements of the updated *Prudential Code for Capital Finance in Local Authorities* until the statutory deadline of 2023/24.

(3) The 2022/23 Annual Investment Strategy as outlined in paragraphs 1.6 and contained in Appendix B.

(4) The Minimum Revenue Provision Policy Statement as outlined in paragraph 1.7 and contained in paragraphs 5.1 to 5.5 of Appendix C.

(5) The Prudential Indicators as outlined in paragraph 1.8 and contained in Appendix D, including the amount of long-term borrowing required for planned capital expenditure.

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1 Background/Information

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

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

1.2 While any 'commercial' initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities

1.3 The Council's treasury management operations are governed by various Treasury Management Practices (TMPs) that the CIPFA Treasury Management Code requires be produced by the Council and adhered to by those officers engaged in the treasury management function. These TMPs have previously been reported to the Cabinet and are subject to periodic Internal Audit review.

1.4 There will be updates made to the TMPs before 1 April 2022 for the recent changes required below.

1.5 Under CIPFA's updated *Treasury Management in Public Services Code of Practice* the Council continues to be required to have an approved annual *Treasury Management Strategy*, under which its treasury management operations can be carried out. The proposed Strategy for 2022/23 is included as Appendix A.

1.6 This Council has regard to the Government's Guidance on Local Government Investments. The guidance states that an *Annual Investment Strategy* must be produced in advance of the year to which it relates and must be approved by the full Council. The Strategy can be amended at any time and it must be made available to the public. The *Annual Investment Strategy* for 2022/23 is shown as Appendix B.

1.7 The Council must make provision for the repayment of its outstanding long-term debt and other forms of long-term borrowing such as finance leases. Statutory guidance issued by MHCLG / DLUHC requires that a statement on the Council's *Minimum Revenue Provision (MRP) Policy* should be submitted to full Council for approval before the start of the relevant financial year. This is contained in Appendix C.

1.8 On 30 November 2021 DLUHC issued "*Consultation on changes to the capital framework: Minimum Revenue Provision*", to last for 10 weeks until 8 February 2022.

1.9 The paper primarily covered the concerns that the Government has in respect of compliance with the duty to make a prudent revenue provision, which in their view, results in an underpayment of MRP. The consultation document stated that the DLUHC are not intending to change the statutory MRP guidance, but to clearly set out in legislation the practices that authorities should already be following.

1.10 However, the proposals would result in a removal of the discretion of councils to interpret their measure of a prudent MRP policy, and, in particular, to elect to use capital receipts from capital loan repayments in place of the revenue charge (a MRP 'holiday'). This would have major implications for councils such as Warwick District Council.

1.11 The changes would take effect from 1 April 2023 and the Government says that they would be "prospective", meaning that although they would not apply to previous financial years, they would apply to existing loans repayable after that date. This would, contrary to the accountancy and legal advice obtained at the time, apply to the housing joint venture loans, which would require MRP being charged, which would run into many millions of pounds each year. The Council has responded to the Government's consultation, pointing out the severe impact and uncertainty such changes would make.

1.12 If the changes, as originally proposed, do come in from from April 2023, many local authorities, along with Warwick District Council, are likely to incur substantial additional revenue costs. While the Government's original intention was to limit MRP 'holidays' on borrowing for investment purposes, the proposals would also restict invest for housing and regeneration purposes. Consequently, it is hoped that the new Regulations will recocognise this, so as to allow such investment and not inflict significant additional revenue costs on such local authorities.

1.13 The recommended MRP Policy at Appendix C would still enable the MRP to exclude such loan repayments, while the consultation is underway, but a full risk assessment based on the latest information and recommendations from Link etc. would be undertaken before any capital investment for which the MRP 'holiday' may be deemed to apply was committed.

1.14 The Prudential Code requires full Council to approve several Prudential Indicators, including amounts of borrowing required to support capital expenditure, set out in Appendix D, which must be considered when determining the Council's Treasury Management Strategy for a minimum of the next three financial years.

1.15 The *Prudential Code for Capital Finance in Local Authorities* was last revised on 20 December 2021 and introduced new requirements for the way that capital spending plans are considered and approved, in conjunction with the development of an integrated Treasury Management Strategy. It is effective immediately, but councils may defer reporting until 2023/24. Given the other workstreams the Council is facing and that this is the advice of the treasury advisers, the Council is recommended to defer until the statutory deadline.

1.16 The key points are:

a) An authority must not borrow to invest primarily for financial return
b) Revised definition of investments
c) Quarterly monitoring and reporting of Performance Indicators
d) New performance indicator for net income from commercial and service investments as a percentage of net revenue stream
e) New performance indicator for the 'liability benchmark[1]'
f) Capital Finance Requirement includes heritage assets
g) Annual strategy review of divesting commercial activities
h) Objectives must include the need for plans and risks to be proportionate
i) New definitions of prudence
j) Reference to Environmental Sustainability in the Capital Strategy

1.17 Point d) above introduces a new distinction of service investments, for investments that are neither treasury investments as defined in paragraph 1.1 and are not unpermitted 'commercial' investments *primarily*[2] for yield. Examples of service investments would be the Council's housing joint venture to enable the greater provision of housing in the district, or third-party loans to facilitate economic regeneration.

1.18 The Cabinet previously requested that the 2020/21 Treasury Management Strategy Statement considered the policy of investing in fossil fuels. The

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[1] a projection of the amount of loan debt outstanding that the Council needs each year into the future to fund its existing debt liabilities, planned prudential borrowing and other cash flows
[2] CIPFA defines this as at least 50% of the purpose

Council had some exposure to fossil fuel extraction companies in two corporate equity funds, operational since 2017/18. The Council divested from these funds during 2021/22 and now does not have any directly measurable investment exposure to fossil fuel extraction.

2 Alternative Options available to the Council

2.1 This report sets out the capital spending and borrowing requirements for the financial year 2022/23 within the Prudential Indicators (PIs). The Council can increase or decrease these limits, provided that these PIs are within the envelope of what is affordable and prudent, taking account of interest costs and the Minimum Revenue Provision ("depreciation") requirements.

3 Consultation and Member's comments

3.1 Not Applicable.

4 Implications of the proposal

4.1 Legal/Human Rights Implications

4.1.1 None directly arising from the Council's Treasury Management activity.

4.2 Financial

4.2.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return (i.e., Security, Liquidity, Yield = "SLY").

4.2.2 The second main function of the treasury management service is the funding of the capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially longer-term cash-flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

4.2.3 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested (i.e., the "S" in "SLY" above), as a loss of principal would result in a chargeable loss to the General Fund.

4.2.4 Treasury Management can have a significant impact on Warwick District Council's budget through its ability to maximise its investment interest income and minimize borrowing interest payable whilst ensuring the security and liquidity of financial resources.

4.2.5 The 2022/23 budget for investment income, after inclusion of growth items, is as follows:

Investment Income	21/22 Revised budget £'000	22/23 Original budget £'000
One-off item:		
Capital gains on divestment of corporate equity funds	405.6	-
Recurring items:		
External investment income	296.4	242.6
Deferred capital receipts interest	13.7	10.6
Long-term debtor loans	234.1	201.8
less : HRA allocation	-114.5	-106.5
Net interest to General Fund	429.7	348.5

4.2.6 The divestment from the Council's two corporate equity funds, as part of its Climate Change Emergency targets, during September 2021 realised actual capital gains of £405,593, taking the opportunity when it was believed that equities were near an optimum 'high' to sell at a favourable time. This can be compared with the position on 31 March 2021 when there would have been a loss of £94,585 and on 31 March 2020 when the loss would have been over £1.4m.

4.2.7 The amount of interest that is to be credited to the Housing Revenue Account as 'HRA allocation' will vary depending on how the net balances and cashflow of the HRA changes.

4.2.8 Whilst any 'service' (not primarily 'for yield') initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

4.3 **Council Plan**

4.3.1 The treasury management activity in this report applies to Warwick District Council, in accordance with the statutory framework and local Treasury Management Strategy and Treasury Management Practices.

4.3.2 The Treasury Management function enables the Council to meet its vision, primarily through having suitably qualified and experienced staff deliver the service in accordance with the Council's Treasury Management Practices and the national framework that local government operates.

4.3.3 **People - Effective Staff –**All staff are properly trained; All staff have the appropriate tools; All staff are engaged, empowered, and supported and that the right people are in the right job with the right skills and right behaviours. Staff have access to the Council's treasury management advisers, the Link Group, who provide additional support and training to staff and members.

4.3.4 **Services - Maintain or Improve Services** – Treasury Management indirectly helps with the following intended outcomes: Focusing on our customers' needs; Continuously improve our processes and Increase the digital provision of services.

4.3.5 **Money - Firm Financial Footing over the Longer Term** - Treasury Management is a fundamental part of effective both short and long term money management and indirectly aids the following intended outcomes: Better return/use of our assets; Full Cost accounting; Continued cost management; Maximise income earning opportunities and Seek best value for money.

4.4 **Environmental/Climate Change Implications**

4.4.1 The recommendation to divest from direct ownership of fossil fuels companies or commingled funds that include fossil fuel public equities by no later than 2025, in pursuance of the Council's Climate Emergency Declaration, was realised ahead of target. Both Royal London and Columbia Threadneedle Equity funds were divested on 20 to 21 September 2021, with notice being given on 15 September. Further details were included in paragraphs 4.2.3 and 4.2.4 of the half-year Treasury Management report for 3 November 2021 to the Finance & Audit Scrutiny Committee. Guidance on incorporating the Environmental Social and Governance (ESG) criteria within a future Treasury Management Strategy and Capital Strategy are expected to be published in the next year or so, as the risk factors and compliance with the 'SLY' principals is addressed by the sector.

4.5 **Analysis of the effects on Equality—not applicable**

4.6 **Data Protection**

4.6.1 Treasury Management activity is compliant with Data Protection Act.

4.7 **Health and Wellbeing-not applicable**

5 Risk Assessment

5.1 Investing the Council's funds inevitably creates risk and the Treasury Management function effectively manages this risk through the application of the SLY principle. Security (S) ranks uppermost, followed by Liquidity (L), and finally Yield (Y). Social impact will be an underlining principle. It is accepted that longer duration investments increase the security risk within the portfolio; however, this is inevitable to achieve the optimal return and still comply with the SLY principle which is a cornerstone of treasury management within local authorities.

5.2 Section 1 of Appendix B (the annual *Treasury Management Investment Strategy*) provides more detail on how the risk is mitigated.

5.3 The Council does not have a specific risk register for Treasury Management, but it does feature within the Finance risk register.

5.4 By engaging with our treasury management consultants, Link Group ('Link'), the Council is able to minimise the risks to which it is exposed. Link provide regular briefings, alerts, and advice in respect of the Council's portfolio. They also provide training for Members and officers responsible for the Council's treasury management function, to ensure they are informed and competent.

6 Reporting requirements

6.1 Capital Strategy

6.1.1. The CIPFA 2017 Prudential and Treasury Management Codes requires local authorities to prepare a **Capital Strategy** report, which provides the following:

- a high-level long-term 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
- the implications for future financial sustainability.

6.1.2. The aim of the Capital Strategy is to ensure that all elected members on full Council understand the overall long-term policy objectives and the resulting capital strategy requirements, governance procedures and risk appetite.

6.1.3. This capital strategy is reported separately from the Treasury Management Strategy Statement, being a corporate strategy; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under Security, Liquidity and Yield (SLY) principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy shows:

- The corporate governance arrangements for these types of activities.
- Any service objectives relating to the investments.
- The expected income, costs and resulting contribution.
- The debt related to the activity and the associated interest costs.
- The payback period (MRP policy).
- For non-loan type investments, the cost against the current market value.
- The risks associated with each activity.

6.1.4. Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

6.1.5. Non-treasury investments that are for Investment Regeneration purposes would, eventually, be subject to an *Investment Regeneration Strategy*. Until such a strategy has been produced the Council will evaluate each opportunity on an ad hoc basis.

6.1.6. Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG (DLUHC) Investment Guidance and CIPFA Prudential Code have not been adhered to.

6.1.7. If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy, i.e., through the budget monitoring process and reports to members.

6.1.8. To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report, where appropriate.

6.1.9. The Capital Strategy has not been reviewed during 2021/22, other than new approvals, and will be updated during 2022/23 to reflect significant new policies and strategies, including the Climate Emergency Declaration, the *Asset Management Strategy* and the Environmental Social & Governmance (ESG) requirements of the revised Prudential Code.

6.2 Treasury Management reporting

6.2.1. The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals:

a. Prudential and treasury indicators and treasury strategy (within this report at Appendix D) - The first, and most important, report is forward looking and covers:

- the capital plans (including prudential indicators).
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time).
- the treasury management strategy (how the investments and borrowings are to be organised), including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

b. A mid-year treasury management report – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c. An annual treasury report – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

6.2.2. The above reports are required to be adequately scrutinised before being recommended to the Council. This role is currently undertaken by the Finance and Audit Scrutiny Committee. The Authority will also carry out quarterly reporting of treasury and prudential indicators as part of the budget monitoring process. These reports are not required to be taken to Full Council.

7 Conclusion/Reasons for the Recommendation

7.1 The Council is also required to approve a Minimum Revenue Provision Policy Statement before each financial year.

7.2 These recommendations will enable the Council to operate within the known budgetary framework to be set for 2022/23 but if the Prudential Indicators need to be adjusted during the year, a further report would need to be brought to Council for approval.

Background papers:

Appendix A - Treasury Management Strategy

Appendix B – Annual Investment Strategy

Annex 1 - Types of Investment

Annex 2 - Counterparty Limits

Annex 3 - Approved Countries for Investment

Appendix C – Minimum Revenue Provision Policy

Appendix D – Link Economic Background

Appendix E - Interest Rate Forecasts

Supporting documents:

None.

Appendix A

Treasury Management Strategy for 2022/23

The strategy for 2022/23 covers two main areas:

A. Capital issues

- the capital expenditure plans and the associated prudential indicators – capital expenditure plans form part of the General Fund Budget report and the prudential indicators are included in Appendix D.
- the minimum revenue provision (MRP) policy – see Appendix C. The DLUHC have recently released consultation covering proposed changes to Regulation 28, which could impact the current MRP policy. Please note that this will not be in force until 1 April 2023 and there are no changes required to the policy for 2022/23 financial year.

B. Treasury management issues

- the current treasury position
- treasury indicators which limit the treasury risk and activities of the Council (Appendix D)
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy (Appendix B)
- creditworthiness policy (Appendix B, section 3)
- training
- benchmarking
- performance and
- the policy on the use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG (DLUHC) MRP Guidance, the CIPFA Treasury Management Code and MHCLG (DLUHC) Investment Guidance.

1 Training

1.1 The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Following the May 2019 Council elections, Link Group (Link) delivered training to Members of the Finance and Audit Scrutiny Committee and other interested Members in November 2019, with a joint Stratford / Warwick webinar event on 25 January 2022. Further training will be provided as and when required.

1.2 Officers involved in treasury management have received training from the Council's treasury consultants, CIPFA and other providers, as well as from a previous post holder. This knowledge will be kept up to date by regular attendance at seminars held by our consultants and other sources, such as CIPFA publications and market intelligence.

2 External service providers

2.1 The Council uses Link Group, Treasury Solutions (‘Link’) as its external treasury management advisor. The option to extend the contract with Link by one year was recently exercised, taking the current agreement to January 2023, bringing the contract to the closest date to Stratford District Council’s arrangement with Link.

2.2 The Council recognises that responsibility for treasury management decisions always remains with the organisation and will ensure that undue reliance is not placed on the services of external service providers. All decisions will be undertaken with regards to all available information, including but not solely our treasury advisers.

2.3 It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2.4 Banking services are provided by HSBC Bank Plc, with the current agreement running until February 2025.

3 Benchmarking

3.1 Link co-ordinates a sub-regional treasury management benchmarking service of which Warwick District Council is an active participant. The Council aims to achieve or exceed the weighted average rate of return of the Link model portfolio, which is published quarterly.

4 Performance

4.1 Performance of the treasury function is reported twice yearly to the Finance and Audit Scrutiny Committee.

4.2 The Treasury Management Team will seek to achieve a return on its money market investments of 0.0625% over the Sterling Overnight Index Average[3] (SONIA) - previously the London Interbank Bid Rate (LIBID) - of a similar duration. As SONIA is higher than LIBID, the expected outperformance of this benchmark will be lower than previously.

5 Prospects for interest Rates

5.1 Link assists the Council to formulate a view on interest rates. Further information is contained in Appendix F.

5.2 The following table gives Link’s central view as at 7 February 2022.

[3] SONIA is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors

Link Group Interest Rate View	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
7.2.22													
BANK RATE	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
3 month av. earnings	0.80	1.00	1.00	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
6 month av. earnings	1.00	1.10	1.20	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30
12 month av. earnings	1.40	1.50	1.60	1.70	1.70	1.60	1.60	1.50	1.40	1.40	1.40	1.40	1.40
5 yr PWLB	2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
10 yr PWLB	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
25 yr PWLB	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60
50 yr PWLB	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40

5.3 The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to first 0.25%, and then to 0.10%, it raised Bank Rate back to 0.25% at its meeting on 16 December 2021, surprising markets who expected no changes due to the threat of Omicron. The Rate increased to 0.5% on 3 February 2022.

5.4 Link now expects the MPC to deliver another 0.25% increase in March; their position appears to be to go for sharp increases to get the job done and dusted.

5.5 The March increase is likely to be followed by an increase to 1.0% in May and then to 1.25% in November. The MPC is currently much more heavily focused on combating inflation than on protecting economic growth.

5.6 However, 54% energy cap cost increases from April, together with 1.25% extra employee national insurance, food inflation around 5% and council tax likely to rise in the region of 5% too – these increases are going to hit lower income families hard despite some limited assistance from the Chancellor to postpone the full impact of rising energy costs.

5.7 Consumers are estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above increases. But most of those holdings are held by more affluent people whereas poorer people already spend nearly all their income before these increases hit and have few financial reserves.

5.8 The increases are already highly disinflationary; inflation will also be on a gradual path down after April so that raises a question as to whether the MPC may shift into protecting economic growth by November, i.e., it is more debatable as to whether they will deliver another increase then.

5.9 The big issue is will the current spike in inflation lead to a second-round effect in terms of labour demanding higher wages, (and/or lots of people getting higher wages by changing job)?

5.10 If the labour market remains very tight during 2022, then wage inflation poses a greater threat to overall inflation being higher for longer, and the MPC may then feel it needs to take more action.

5.11 **Bond yields / PWLB rates**. The yield curve has flattened out considerably.

5.12 Link view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate.

5.13 It is difficult to say currently what effect the Bank of England starting to sell gilts will have on gilt yields once Bank Rate rises to 1%: it is likely to act cautiously as it has already started on not refinancing maturing debt. A passive process of not refinancing maturing debt could begin in March when the 4% 2022 gilt matures; the Bank owns £25bn of this issuance. A pure roll-off of the £875bn gilt portfolio by not refinancing bonds as they mature, would see the holdings fall to about £415bn by 2031, which would be about equal to the Bank's pre-pandemic holding. Last August, the Bank said it would not actively sell gilts until the "Bank Rate had risen to at least 1%" and, "depending on economic circumstances at the time."

5.14 It is possible that Bank Rate will not rise above 1% as the MPC could shift to relying on quantitative tightening (QT) to do the further work of taking steam out of the economy and reducing inflationary pressures.

5.15 Increases in US treasury yields over the next few years could add upside pressure on gilt yields though, more recently, gilts have been much more correlated to movements in bund yields than treasury yields.

5.16 The general situation is for volatility in bond yields to endure as investor fears and confidence ebb and flow between favouring relatively more 'risky' assets i.e., equities, or the safe haven of government bonds. The overall longer-run trend is for gilt yields and PWLB rates to rise moderately.

5.17 There is likely to be exceptional volatility and unpredictability in respect of gilt yields and PWLB rates due to the following factors:

- How strongly will changes in gilt yields be correlated to changes in US treasury yields?
- Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong and enduring will inflationary pressures turn out to be in both the US and the UK, and so impact treasury and gilt yields?
- Will the major western central banks implement their previously stated new average or sustainable level inflation monetary policies when inflation has now burst through all previous forecasts and far exceeded their target levels? Or are they going to effectively revert to their previous approach of prioritising focusing on pushing inflation back down and accepting that economic growth will be very much a secondary priority - until inflation is back down to target levels or below?
- How well will central banks manage the running down of their stock of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the 'taper tantrums' in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

5.18 Link forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within their forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and Russia / China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

5.19 Their target borrowing rates and the current PWLB (certainty) borrowing rates are set out below:

PWLB debt	Current borrowing rate as at 7.2.22 p.m.	Target borrowing rate now (end of Q1 2022)	Target borrowing rate previous (end of Q1 2022)
5 year	2.12%	2.20%	1.50%
10 year	2.24%	2.30%	1.70%
25 year	2.38%	2.40%	1.90%
50 year	2.06%	2.20%	1.70%

5.20 **Borrowing advice**: Link's long-term (beyond 10 years) forecast for Bank Rate is 2.00%. As nearly all PWLB certainty rates are now above this level, the borrowing strategy will need to be kept under review, especially as the maturity curve has flattened out considerably. Better value can be obtained at the very short and at the longer end of the curve and longer-term rates are still at historically low levels. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio.

5.21 The suggested budgeted investment earnings rates for investments up to about three months' duration in each financial year for the next six years are as follows:

Average earnings in each year	Now	Previously
2022/23	1.00%	0.50%
2023/24	1.25%	0.75%
2024/25	1.25%	1.00%
2025/26	1.25%	1.25%
Years 6 to 10	1.50%	-
Years 10+	2.00%	2.00%

5.22 The long-term later years forecast in the table above is an indicator for 10 years.

5.23 As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts. The general expectation for a trend of gently rising gilt yields is unchanged. Negative, (or positive) developments could significantly impact safe haven flows of investor money into UK, US and German bonds and produce shorter-term movements away from these central forecasts.

5.24 Link's interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of plus or minus 25 bps.

5.25 The Council will continue to monitor events and will update its forecasts as and when appropriate, utilising advice from Link and other market commentators.

6 Investment and borrowing rates

6.1 **Investment returns** are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.

6.2 **Borrowing interest rates** fell to historically very low rates because of the COVID crisis and the quantitative easing operations of the Bank of England and remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities, including Warwick, well over the last few years, saving on borrowing costs.

6.3 On 25 November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had **purchase of assets for yield** in its three-year capital programme. The current margins over gilt yields are as follows:

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)[4]

6.4 **Borrowing for capital expenditure**. As outlined in paragraph 5.20, Link's long-term (beyond 10 years) forecast for Bank Rate is 2.00%. As most PWLB certainty rates are above this level, better value can be obtained at the very short and at the longer end of the curve, and longer-term rates are still at historically low levels. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio.

6.5 While this authority will not be able to avoid borrowing to finance new capital expenditure and the rundown of reserves, there will be a 'cost of carry', (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

7 Borrowing Strategy

7.1 The capital expenditure plans set out in Section 4 of Appendix D provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation

[4] 3rd Round ran from 11th April to 11th July 2020 so closed until HM Treasury announces a 4th Round

of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions, and the annual investment strategy.

7.2 The Council's current long-term borrowing portfolio consists of £136.157 million HRA and £62 million General Fund PWLB debt.

7.3 The original General Fund £12 million was borrowed in September 2019, for repayment at maturity on 28 August 2059, with the interest borne by the General Fund, largely covering unfinanced capital expenditure in 2017/18 and 2018/19 (primarily relating to the Leamington and Warwick Leisure Centres).

7.4 A further £50 million was borrowed by the General Fund in August 2021 for a housing joint venture, with a further £10 million payable under this agreement in April 2022. These £60 million of loans will be made up of six smaller amounts, with terms between 1½ and 5½ years, and the PWLB loans and the joint venture loans are coterminous.

7.5 The HRA loans were taken out in 2012 to finance the HRA Self Financing settlement, and the interest paid on this debt is entirely borne by the HRA and is provided for as part of the HRA Business Plan. The first of these loans is scheduled to be repaid on 28 March 2053 with the final loan being repaid on 28 March 2062. As part of reviewing the HRA Business Plan in December 2020, the Cabinet agreed that the Business Plan should allow for this debt to be replaced, so maintaining the overall level of debt and so give additional funds to invest in the housing stock. The current HRA Business Plan from December 2021 includes new PWLB borrowing, which has been factored into this report. and the Capital Financing Requirement (or CFR, the capital borrowing need) and other Performance Indicators.

7.6 The Council has no short-term borrowing other than residual finance leases. An assessment will be made of 'embedded leases' within the Council's contracts as at 31 March 2022 for IFRS 16 reporting purposes.

7.7 The Council has been maintaining an under-borrowed position, which means that the CFR has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure, i.e., borrowing has been deferred. This strategy has been prudent while investment returns remain low and counterparty risk is still an issue that needs to be considered.

7.8 The borrowing undertaken for the housing joint venture does not change the under-borrowed position of previous financial years. The position is not sustainable in the longer-term as (a) the Council will eventually need to replenish the cash backing the Reserves and Balances to pay for future developments, and (b) the upside risk of PWLB and other borrowing rates because of economic factors make it prudent to consider 'externalising' more of the internal borrowing by taking PWLB loans during 2022/23.

7.9 Additionally, there remain several potentially very large housing-related and other capital schemes that would significantly deplete or extinguish investment balances unless considerable external borrowing in 2022/23 or 2023/24 and beyond is undertaken. Please see Appendix D, Tables 4 and 5, for details of proposed capital expenditure and financing, including the borrowing requirement. **Approval of these within the borrowing limits does not commit the Council to progressing with these schemes**.

7.10 Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Head of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

7.11 If it was forecast that there was a significant risk of:

- a sharp FALL in borrowing rates, then borrowing will be postponed for as long as practical;
- a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised.

Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

7.12 **Approved sources of long and short-term borrowing**

On Balance Sheet	Fixed	Variable
Public Works Loan Board (PWLB)	✓	✓
Municipal Bond Agency (MBA)	✓	✓
Local authorities	✓	✓
Banks	✓	✓
Pension funds	✓	✓
Insurance companies	✓	✓
Market (long-term)	✓	✓
Market (temporary)	✓	✓
Market (LOBOs)	✓	✓
Stock issues	✓	✓
Local temporary	✓	✓
Local bonds	✓	X
Local authority bills	✓	✓
Overdraft	X	✓
Negotiable bonds	✓	✓
Internal (capital receipts & revenue balances)	✓	✓
Commercial paper	✓	X
Medium term notes	✓	X
Finance leases	✓	✓

7.13 Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a 'cost of carry' or to achieve refinancing certainty over the next few years).

7.14 The degree which any of these options proves cheaper than PWLB Certainty Rate may vary but the Council's advisors will keep the Council informed as to the relative merits of each of these alternative funding sources. Financial institutions and the Municipal Bond Agency (MBA) are likely to have significantly more complex administration and legal arrangements than PWLB loans, even though those arrangements have become more demanding in the last year or two.

7.15 The Council will use short-term borrowing (up to 365 days), if necessary, to finance temporary cash deficits. However, proactive cash flow management will aim to keep these to a minimum and, wherever possible, the loan would be taken out for periods of less than 7 days to minimise the interest payable. The Council has not incurred any short-term borrowing (other than minimal bank overdrafts) in 2021/22 to date and is not expecting to during 2022/23.

7.16 Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

8 Policy on borrowing in advance of need

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

8.2 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

9 Current treasury position

9.1 The investments at 31 December 2021 are summarised below:

Type of Investment	31 Dec 21 £'000	30 Sep 21 £'000	31 Mar 21 £'000
Money Markets incl. CD's & Bonds	39,921	31,592	33,000
Money Market Funds	42,305	34,195	12,334
Business Reserve Account	6,075	5,000	2,003
Total In House Investments	**88,301**	**70,787**	**47,337**
Corporate Equity Funds (nominal value)	-	-	6,000
Total Investments	**88,301**	**70,787**	**53,337**

9.2 The corresponding borrowing position is summarised below:

External Borowing	31 Dec 21 £'000	30 Sep 21 £'000	31 Mar 21 £'000
Public Works Loan Board	198,157	198,157	148,157
Total	**198,157**	**198,157**	**148,157**

10 Debt rescheduling

10.1 Rescheduling of borrowing in the Council's debt portfolio will remain uneconomic within current interest rates, given the high premia the PWLB would charge, reflecting the very large difference between premature redemption rates and new borrowing rates.

10.2 The Council’s treasury advisors will continue to monitor the debt portfolio and identify any opportunities for debt restructuring but there would need to be a significant increase in interest rates for this occur.

10.3 If rescheduling was done, it would be reported to the Finance and Audit Scrutiny Committee at the earliest meeting following its action.

Appendix B

Annual Treasury Management Investment Strategy

1 Investment policy – management of risk

1.1 The Department of Levelling Up, Housing and Communities (DLUHC) – formerly the MHCLG[5]) - and CIPFA[6] have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

1.2 The Council's investment policy has regard to the following:

- DLUHC's Guidance on Local Government Investments ("the Guidance"),
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code"),
- CIPFA Treasury Management Guidance Notes 2018,
- Any revised reporting requirements included in the revised editions of Treasury Management Code and Prudential Code (Dec 2021) will be incorporated into the 2023/24 reports approved by Full Council
- The Council will have regard to the revised Treasury Management Code and Prudential Code (December 2021) and comply with new framework requirements ahead of formal adoption of reporting requirements from 1 April 2023.

1.3 The Council's investment priorities, using the established 'SLY' principles in decreasing importance, are:

1. **S**ecurity,
2. **L**iquidity and
3. **Y**ield return.

1.4 The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options

1.5 The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

1.5.1. Minimum acceptable **credit criteria** are applied to generate a list of highly creditworthy counterparties. This also enables diversification and avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

1.5.2. **Other information**: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in

[5] Ministry of Housing, Communities & Local Government
[6] Chartered Institute of Public Finance & Accountancy

relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as '**credit default swaps**' and overlay that information on top of the credit ratings.

1.5.3. **Other information sources** used will include the financial press, share price and other such information relating to the financial sector to establish the most robust scrutiny process on the suitability of potential investment counterparties.

1.5.4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use under the categories of 'specified' and 'non-specified' investments:

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
- **Non-specified investments** are those with less high credit quality, may be for periods more than one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity i.e., an 18-month deposit would still be non-specified even if it has only 11 months left until maturity.

1.5.5. **Non-specified investments limit**. The Council has determined that it will limit the maximum total exposure to non-specified investments as being 70% of the total investment portfolio.

1.5.6. **Lending limits** (amounts and maturity) for each counterparty will be set through applying the matrix table in Appendix B Annex 2.

1.5.7. **Transaction limits** are not set for each type of investment, being subject to the overall lending limit in 1.4.7 above.

1.5.8. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**. (70% - see paragraph 3.11 below).

1.5.9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (Appendix B Annex 2).

1.5.10. This authority has engaged **external consultants**, (Appendix A section 2), to provide expert advice on how to optimise an appropriate balance of security, liquidity, and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

1.5.11. All investments will be denominated in **sterling**.

1.5.12. As a result of the change in **accounting standards** for 2022/23 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund[7]. This override applied to the Council's recently

[7] In November 2018, the MHCLG] concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a

disposed equity funds and will be a factor in the appropriateness of Environmental Social & Governance (ESG) equity funds after 2022/23.

1.6 However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

2. Changes in risk management policy from last year

2.1 The above criteria are unchanged from last year, save for any reference to commercial investments, which are no longer permitted, and have been removed. 'Service investments' are a new nomenclature introduced for non-treasury investments where the primary objective is service delivery, such as for the provision of housing or economic development.

3. Creditworthiness policy

3.1 The Council applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies: Fitch, Moodys, and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- 'watches' and 'outlooks' from credit rating agencies
- Credit Default Swap (CDS) spreads that may give early warning of changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries.

3.2 The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue reliance on any one agency's ratings.

3.3 Typically, the minimum credit ratings criteria the Council use will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

3.4 All credit ratings will be monitored weekly and will inform every investment decision. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service:

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings the Council will be advised of information in movements in CDS spreads against the iTraxx European Financials benchmark and other market data daily via its *Passport* website,

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statutory override to delay implementation of IFRS 9 for five years commencing from 1 April 2018 provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

3.5 Sole reliance will not be placed on the use of this external service. In addition, the Council will also use market data and market information, as well as information on any external support for banks to help support its decision-making process.

3.6 All investments in property, corporate bond and corporate equity funds will be supported by the advice of Link, the Council's treasury advisors. Where the Council makes Service Investments, these sit outside the service provided by Link and separate risk assessments will be completed (refer to Section 4 below of this report).

3.7 The Council will ensure that it maintains the lists of permitted investments and counterparty limits (Annexes 1 and 2) and will revise and submit the criteria to Council for approval when required. In respect of counterparty limits, the Council's investment balances have increased in recent years mainly due to increasing Housing Revenue Account (HRA) balances that are projected to be utilised in the medium term.

3.8 To provide flexibility and to continue to be able to invest in the highest quality counterparties it is proposed to keep the counterparty limits for certain institutions as follows:

Institution Type	**Limit**
A rated private banks	£5m
A+ rated private banks	£7m
AA rated private banks	£8m
Government Debt CNAV MMFs[8]	£10m
LVNAV MMFs[9]	£10m

3.9 The Council has both cash flow derived and core balances available for investment. Investment decisions will be made with regard to cash flow requirements, core cash balances and the outlook for short term interest rates.

3.10 The Council will continue to use Money Market Funds (MMFs), call bank accounts and the money markets to invest cash flow driven money until the time when it is required. Core investments may be invested in a combination of ESG corporate equity funds and the financial markets.

3.11 The Council had two corporate equity fund managers until September 2021. These specific equity funds had around 5% exposure to investing in companies extracting fossil fuels[10] and the recommendation is to divest from these funds by the end of 2025 as part of the Council's Climate Emergency Declaration. One option would be to re-invest the £6 million in ESG equity funds. Any new fund manager appointments would be made in conjunction with the treasury

[8] Constant Net Asset Value Money Market Funds
[9] Low-Volatility Net Asset Value Money Market Funds
[10] Oil and gas

advisers and in adherence with the Council's procurement rules. Re-procuring to invest these funds would incur an additional cost, as well as taking officer and member time, and it should be noted that the regulatory framework for evaluating ESG investments for risk has yet to be agreed, so it is recommended that any decision on this is deferred until the market is 'more mature' and the national risk reporting framework has been agreed.

3.12 Based on its cash flow forecasts (subject to any 'internal borrowing' pending borrowing for new capital expenditure, including service investment), the Council anticipates that its investments in 2022/23 on average will be in the region of £66m, of which £28m will be "core" investments i.e. made up of reserves and balances which are not required in the short term.

3.13 The maximum percentage of its investments that the Council will hold in long-term investments (over 365 days) is 70%. It follows therefore that the minimum percentage of its overall investments that the Council will hold in short term investments (365 days or less) is 30%, with the expectation that this will be most investments in practice. Having regard to the Council's likely cash flows and levels of funds available for investment the amount available for long-term investment will be a maximum of 70% of the core investment portfolio subject to a total of £30 million at any one time in line with the Prudential Indicator covering this issue. These limits will apply jointly to the in-house team and any fund managers so that the overall ceilings of 70% and £30 million are not breached.

3.14 After the Bank of England's December 2021 decision to raise the Base Rate by 0.15% to 0.25%, and by a further 0.25% to 0.50% in February 2022, the 2022/23 interest rate outlook is for Base Rate to increase again and start the year at 0.75%. Link expect it to increase by June 2022 to 1.00% and increase again by March 2023 to 1.25%, remaining at that rate until March 2025. Based on current investment policies and interest rate projections at budget setting, it is currently estimated that the overall portfolio will achieve a 0.32% return for 2021/22, augmented by the dividends from the equity funds, increasing to 0.39% for 2022/23 before the more recent movements in Base Rate.

4. Investments that are not part of treasury management activity

4.1 Where, in addition to treasury management investment activity, the Council makes service investments in other financial assets and property, and there may be a financial return that is not the primary driver (to avoid the Council being excluded from taking PWLB borrowing), these investments will be proportional to the level of resources available, and the Council will ensure the same robust procedures for the consideration of risk and return are applied to these decisions.

4.2 The Council recognises that investment in other financial assets e.g., loans to third parties and property, may be taken for non-treasury management purposes, requiring careful investment management. Such activity includes loans supporting service outcomes, such as housing provision or economic regeneration.

4.3 The Council's framework to consider such non treasury management investments would be reflected within the *Capital Strategy*, referred to in this report. All such investment proposals will be considered on their own merits and in accordance with the Council's risk appetite, and have regard to treasury management principles.

4.4 The Council will ensure the organisation's investments are covered in the capital programme, investment strategy or equivalent, and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

Schedule of specified and non-specified investments

Specified Instruments (365 days or less)

- Deposits with banks and building societies
- Deposits with UK Government, Nationalised Industries, Public Corporations, and UK Local Authorities
- UK Government Gilts
- Debt Management Agency Deposit Facility (DMADF)
- Government Debt Constant Net Asset Value Money Market Funds (AAA rated)
- Low Volatility Net Asset Value Money Market Funds (AAA rated)
- Variable Net Asset Value Money Market Funds (AAA rated)
- Certificates of deposits issued by banks and building societies
- Corporate Bonds issued by private sector financial institutions
- Corporate Bonds issued by financial institutions partly or wholly owned by the UK Government
- Corporate Bonds issued by corporates
- Covered Bonds issued by private sector financial institutions
- Covered Bonds issued by financial institutions partly or wholly owned by the UK Government
- Covered Bonds issued by corporates
- Supranational Bonds issued by Supranational Institutions or Multi-Lateral Development Banks
- Floating Rate Notes issued by private sector financial institutions
- Floating Rate Notes issued by financial institutions partly or wholly owned by the UK Government
- Floating Rate Notes issued by corporates
- Eligible Bank Bills
- Sterling Securities guaranteed by HM Government
- Repos

Non-Specified Investments

- Deposits with unrated building societies
- Deposits with banks and building societies greater than 365 days
- Deposits with UK Local Authorities greater than 365 days
- Certificates of deposits issued by banks and building societies greater than 365 days
- Corporate Bonds issued by private sector financial institutions greater than 365 days
- Corporate Bonds issued by financial institutions partly or wholly owned by the UK Government greater than 365 days
- Corporate Bonds issued by corporates greater than 365 days

- Covered Bonds issued by private sector financial institutions greater than 365 days
- Covered Bonds issued by financial institutions partly or wholly owned by the UK Government greater than 365 days
- Covered Bonds issued by corporates greater than 365 days
- Corporate Bond Funds
- Regulated Property Funds including Real Estate Investment Trusts
- CCLA Property Fund or other similar property fund
- Diversified asset funds (e.g., CCLA DIF)
- UK Government Gilts with over 365 days to maturity
- Supranational Bonds issued by Supranational Institutions or Multi-Lateral Development with over 365 days to maturity
- Corporate Equity Funds (ESG, with no fossil fuel exposure)

Counterparty Limits

Investment / counterparty type:	S/term	L/term	Viability / support	# Sovereign country min. credit rating	Max limit per counterparty	Max. maturity period	Use	Notes ref
Specified instruments: *(repayable within 12 months)*	**(FITCH or equivalent)**							
DMADF	n/a			AA-	£12m	365 days	In house & EFM*	
UK Govt. / local authorities / public corporations / nationalised industries	n/a		High		£10m	365 days	In house & EFM*	11
Bank - part nationalised UK	F1	A		AA-	£9m	365 days	In house & EFM*	1 & 2
Bank - private (includes fixed term deposits, CDs and category 1 FRNs & bonds)	F1	A		AA-	£5m	365 days	In house & EFM*	1 & 2
	F1	A+		AA-	£7m	365 days	In house & EFM*	1 & 2
	F1	AA- & above		AA-	£8m	365 days	In house & EFM*	1 & 2
Other private sector financial institutions (includes category 1 FRNs & bonds)	F1	A		AA-	£4m	365 days	In house & EFM*	1 & 2
	F1	A+		AA-	£6m	365 days	In house & EFM*	1 & 2
	F1	AA- & above		AA-	£7m	365 days	In house & EFM*	1 & 2
Corporates (category 3 FRNs & bonds)	F1	A		AA-	£4m	365 days	In house & EFM*	1 & 2
	F1	A+		AA-	£5m	365 days	In house & EFM*	1 & 2
	F1	AA- & above		AA-	£6m	365 days	In house & EFM*	1 & 2
Bank subsidairies of UK banks	Unrated			Explicit Parent Guarantee	£5m	3 months	In house & EFM*	1 & 3
Money Market Fund (CNAV)	AAAm / Aaa-mf/AAAmmf				£10m	liquid	In house & EFM*	
Money Market Fund (LVNAV)	AAAm / Aaa-mf/AAAmmf				£10m	liquid	In house & EFM*	
Money Market Fund (VNAV)	AAAf S1 / Aaa-bf/ AAA/V1				£6m	liquid	In house & EFM*	4
Building societies - category A	F1	A		AA-	£4m	365 days	In house & EFM*	1a.
Building societies - category B	F1			AA-	£2m	365 days	In house & EFM*	1a.
Corporate bonds - category 2		A			£9m	365 days	In house & EFM*	5
Covered bonds - category 2		A			£9m	365 days	In house & EFM*	12
Bonds - supranational / multi-lateral development banks	AAA / Govt Guarantee				£5m	365 days	In house & EFM*	
Floating Rate Notes (FRN) - category 2		A			£9m	365 days	In house & EFM*	6
Eligible bank bills	n/a			Determined by EFM	£5m	365 days	EFM*	
Sterling securities guaranteed by HM Government	n/a			AA-	9m	not defined	EFM*	

Investment / counterparty type:	S/term	L/term	Viability / support	# Sovereign country min. credit rating	Max limit per counterparty	Max. maturity period	Use	Notes ref
Non-specified instruments:	**(FITCH or equivalent)**							
Building societies - assets > £500m	unrated category C				£1m	3 months	In house	1b & 9
Bank - part nationalised UK > 1 year	F1	A		AA-	£9m	2 years	In house + advice & EFM*	1b, 2, & 10
Bank - private (includes fixed term deposits, CDs and category 1 FRNs & bonds)	F1	A		AA-	£5m	2 years	In house + advice & EFM*	1b, 2, & 10
	F1	A+		AA-	£7m	2 years	In house + advice & EFM*	1b, 2, & 10
	F1	AA- & above		AA-	£8m	2 years	In house + advice & EFM*	1b, 2, & 10
Other private sector financial institutions (includes category 1 FRN's & Bonds)	F1	A		AA-	£4m	2 years	In house + advice & EFM*	1b, 2, & 10
	F1	A+		AA-	£6m	2 years	In house + advice & EFM*	1b, 2, & 10
	F1	AA- & above		AA-	£7m	2 years	In house + advice & EFM*	1b, 2, & 10
Corporates (category 3 FRN'S, Bonds)	F1	A		AA-	£4m	2 years	In house + advice & EFM*	1b, 2, & 10
	F1	A+		AA-	£5m	2 years	In house + advice & EFM*	1b, 2, & 10
	F1	AA- & above		AA-	£6m	2 years	In house + advice & EFM*	1b, 2, & 10
Building societies - > 1 year	F1	A		AA-	£1m	2 years	In house + advice & EFM*	1b & 10
Local authorities > 1 year	n/a		High		£9m	5 years	In house + advice	10
Corporate bonds - category 2 > 1 year		A			£9m	2 years	In house & EFM*	5 & 10
Covered bonds - category 2 > 1 year		A			£9m	2 years	In house & EFM*	10 & 12
Corporate Equity Funds - low risk		N/A		See note 13	£4m	10 years	EFM*	13 & 14
Corporate Equity Funds - medium risk		N/A		See note 13	£2m	10 years	EFM*	13 & 14
Corporate Bond Funds		BBB			£5m	10 years	In house + advice & EFM*	10
Pooled property fund eg: REITS				Authorised FS&MA	£5m	10 years	In house + advice	10
CCLA property funds	n/a			see note 8	£5m	10 years	In house + advice	7 & 10
Day to day balances	n/a				n/a	n/a	In house	8

Notes:	
*	EFM = External Fund Manager
#	Minimum sovereign rating does not apply to UK domiciled counterparties
	All maximum maturity periods include any forward deal period
1.	Includes business call reserve accounts, special tranches & any other form of investment with that institution e.g. certificate of deposits, corporate bonds and repos, except where the repo collateral is more highly credit rated than the counterparty in which case the counterparty limit is increased by £3m with a maximum in repos of £3m
1a.	Includes business call reserve accounts, special tranches & any other form of investment with that institution e.g. certificate of deposits, corporate bonds and repos, except where the repo collateral is more highly credit rated than the counterparty in which case the counterparty limit is increased by £2m with a maximum in repos of £2m
1b.	Includes business call reserve accounts, special tranches & any other form of investment with that institution e.g. certificate of deposits, corporate bonds and repos
2.	Counterparty limit is also the group limit where investments are with different but related institutions
3.	Unrated but with explicit guarantee by parent + parent meets minimum ratings of short-term F1, long-term A. Subject to group limit relating to parent bank e.g. £5m if private of £9m if part or wholly nationalised
4.	Subject to overall group limit of £6m
5.	Corporate bonds must be senior unsecured and above. Category types:
	Category 1: Issued by private sector financial institutions
	Category 2: Issued by financial institutions wholly owned or part owned by the UK Government
	Category 3: Issued by corporates
6.	Floating rate notes - categories as per note 5 above
7.	Security of trustee of fund (LAMIT) controlled by LGA, COSLA who appoint the members and officers of LAMIT
8.	Minimum exposure to credit risk as overnight balances only
9.	Group limit of £8m
10.	£15m overall limit for corporate bond / equity / property funds & £20m limit for all counterparties
11.	UK Government includes gilt edged securities and Treasury bills
12.	Covered bonds category types:
	Category 1: Issued by private sector financial institutions
	Category 2: Issued by financial institutions wholly owned or part owned by the UK Government
	Category 3: Issued by corporates
13.	Risk determined as follows:
	Low - UK equity income funds
	Medium - UK capital growth funds
14.	Maximum investment limit subject to 10% capital growth, i.e. maximum is 110% of original investment

Approved Countries for Investments

This list, as at 21 December 2021, is based on those countries which have sovereign ratings of AA- or higher, based on the lowest rating from Fitch, Moodys and S&P.

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- **U.K.**

Appendix C

Minimum Revenue Provision (MRP) Policy Statement

1 Background

1.1 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the Capital Financing Requirement, CFR) through a revenue charge (the Minimum Revenue Provision, MRP), although it is also allowed to undertake additional voluntary payments if required (Voluntary Revenue Provision - VRP). The MRP is equivalent to 'depreciation' in other sectors.

1.2 MHCLG (DLUHC) guidance requires the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following **MRP Statement**.

1.3 The *Statutory Guidance on Minimum Revenue Provision*[11] 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. 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.

2 Four Main Options

2.1 Option 1 – Regulatory Method

This option is the old statutory method of 4% of the CFR and which has to be used in order to calculate MRP on all debt still outstanding at 1 April 2008[12]. It can also be used to calculate MRP on debt incurred under the new system, but which is supported through the annual SCE (Supported Capital Expenditure) allocation from DCLG (now DLUHC).

2.2 Option 2 – Capital Financing Requirement Method

This is a variation of Option 1 and is based on 4% of the CFR with certain changes and is appropriate where the borrowing is not linked to a particular asset.

2.3 Option 3 – Asset Life Method

Under this option, it is intended that MRP should be spread over the useful life of the asset financed by the borrowing or credit arrangement. In future, where borrowing is utilised to finance specific assets it is likely that the period of the loan will match the expected life of the asset and therefore, under this method the annual charge to the Council's accounts is directly related to building up the

[11] Guidance issued by the Secretary of State under section 21(1A) of the *Local Government Act 2003*. Fourth edition applies to periods commencing 1 April 2019.
[12] The Council had no debt at this date

provision required to pay off the loan when it matures which, under Options 1 and 2, is not possible.

There are 2 methods of calculating the annual charge under this option

a) equal annual instalments or
b) by the annuity method where annual payments gradually increase during the life of the asset.

2.4 Option 4 – Depreciation Method

This is a variation on option 3 using the method of depreciation attached to the asset e.g., straight line where depreciation is charged in equal instalments over the estimated life and the reducing balance method where depreciation is greater in the early years of an assets life and which is most appropriate for short lived assets e.g., vehicles. In this Council's case assets are depreciated using the straight-line method and so option 4 is not materially different from option 3.

3 HRA

3.1 There is no requirement on the HRA to make a MRP but there is a requirement for a charge for depreciation to be made.

3.2 Under the Self Financing regime, the HRA Business Plan has to provide resources for the repayment of the £136.157m borrowed from the PWLB on the 28 March 2012. Repayment of this debt is currently provided for commencing in year 41 (2052/53) and continuing through to year 50 year of the Business Plan.

3.3 The HRA will apply the same principle to new borrowing undertaken for capital investment.

4 Voluntary Revenue Provision (VRP)

4.1 MHCLG (DLUHC) issued revised MRP guidance in 2018 concerning Voluntary Revenue Provision. In future any VRP or overpayment of MRP, which has been disclosed in previous years' MRP statement, can be reclaimed and credited back to the General Fund in certain circumstances. An example would be a loan to a third party where during the duration of the loan MRP or VRP has been made but on full repayment of the loan the principal has been applied to pay down the Capital Financing Requirement. In this instance the VRP is no longer required and can be released back to the General Fund. The Council has instances of such loans but has elected to not make MRP or VRP on these as they are of relatively short duration and on repayment the principal repaid will be applied to pay down the Capital Financing Requirement.

5 Warwick District Council Policy

5.1 It is recommended that for any long-term borrowing on the General Fund e.g. leisure centre refurbishments, the following methods of Minimum Revenue Provision be adopted:

- For borrowing specifically linked to a particular asset or capital scheme – Option 3 based on the annuity method.
- For borrowing that cannot be linked to a particular asset or capital scheme –

Option 3 based on the annuity method using the weighted average life of assets.

5.2 For any borrowing incurred through finance leases, the annual principal repayments in the lease are regarded as MRP.

5.3 Although not strictly part of MRP requirements, it is also recommended that for internal borrowing (i.e. capital expenditure financed from reserves), where appropriate, Option 3 based on the annuity method be adopted, in most cases, as a means of replenishing those reserves which financed the capital expenditure. In exceptional circumstances another method may be more appropriate.

5.4 For short to medium duration loans to third parties the Council will not make either MRP or VRP but instead apply the capital receipt received through the repayment of the loan to pay down the Capital Financing Requirement.

5.5 The Council may on occasion enter into agreement to undertake a scheme / capital payment whereby monies and resources (grants, capital receipts, S106 receipts, etc.) will be received some time after the scheme / capital payment has been completed. On such occasions whereby the capital expenditure is expected to be fully reimbursed by future capital or revenue income, no MRP will be provided. This position will be kept under review and should the likelihood of receipt of the income change, then MRP may be initiated. Such an example would be the granting of monies to an external organisation and S106 receipts are expected to pay for the capital liability.

Note: The use of paragraphs 5.4 and 5.5 will be subject to the outcome of Government consultation on MRP Regulation 28 and a full risk assessment would be undertaken, considering the latest information, before any capital investment is undertaken to which this MRP policy may apply, as discussed in the covering report.

Appendix D

Prudential and Treasury Indicators

1. Introduction

1.1. The Prudential Capital Finance system came into effect on 1 April 2004, replacing the previous system of approval allocations from central Government, allowing local authorities to decide how much they can prudently afford to borrow *and* pay back from revenue resources.

1.2. CIPFA developed the Prudential Code for Capital Finance in Local Authorities (the 'Prudential Code') to provide a mechanism to enable councils to ensure, that in line with the new freedom given, their capital investment plans are affordable, prudent, and sustainable. This Prudential Code was revised in December 2021, mainly to stop further borrowing for 'commercial' investment, which CIPFA and the Government believe is inappropriate for local government to pursue, given some recent high-profile cases.

1.3. It is the Council's responsibility to set its prudential indicators, having regard to its own set of circumstances. The Council must demonstrate that its capital investment proposals are:

- affordable
- prudent and
- sustainable.

1.4. All Indicators must be included in the Council's annual Treasury Strategy and Outturn report. The reporting requirements for 2023/24 will be changing.

1.5. The Prudential and Treasury Indicators are divided into:

a) Prudential:
- Affordability (section 2)
- Prudence (section 3)
- Capital Expenditure (sections 4 - 5)
- External Debt (sections 6 - 7)

b) Treasury:
- Treasury Indicators (section 8).

1.6. This Appendix explains what the Prudential and Treasury Indicators are as well as revising them for the current year, 2021/22, where appropriate and setting them for future years.

2. Affordability - Ratio of financing costs to net revenue stream

2.1. This ratio shows the trend in the cost of capital (borrowing and other long-term obligation costs, net of investment income) against the net revenue stream, i.e., taxation, rents, and non-specific grant income.

2.2. The higher the ratio, the higher the proportion of resources tied up just to service met capital costs, and which represent a potential affordability risk.

2.3. It sets an upper limit on the proportion of the Council's net revenue streams both for General Fund and Housing Revenue Account (HRA) that is committed to servicing debt.

2.4. The table below shows the actual for 2020/21 and the ratios proposed for the General Fund, HRA and Overall, as required by the Prudential Code. These figures exclude unapproved schemes, other than schemes subject to approval at the same Council meeting as this report.

Table 1

Year	General Fund	Housing Revenue Account	Overall
2020/21	-0.6%	40.3%	24.6%
2021/22	-2.00% to 5.00%	38.00% to 50.00%	23.00% to 33.00%
2022/23	0.00% to 20.00%	38.00% to 50.00%	24.00% to 37.50%
2023/24	0.00% to 30.00%	38.00% to 50.00%	24.00% to 40.00%
2024/25	0.00% to 26.00%	38.00% to 50.00%	24.00% to 40.00%

2.5. The ratio for estimates is a range rather than a single figure (except the 2020/21 actual), to allow for both the uncertain amount of borrowing that will take place for developments by the General Fund and HRA (such as the Housing Company and joint venture, which is a General Fund scheme), and the possible movements in long-term interest rates, as a relatively small variation from today's low level in borrowing costs could cause a ratio based on a precise percentage to be breached.

2.6. The significant size of the HRA ratio includes the HRA self-financing debt taken in 2012 and future borrowing included within the HRA Business Plan. If income increases at least much as the debt costs the ratio should not increase once the new rental properties are occupied – there will be a short-term cost during any acquisition and construction.

2.7. The General Fund ratio would increase for further borrowing to finance capital expenditure such as Housing Company loan, leisure centres and long-term loans to third parties.

2.8. The ratios will be monitored during the year and, if necessary, remedial action taken – such as Council increasing the limits - to avoid them being breached.

3. Prudence - Gross Debt and the Capital Financing Requirement

3.1 This indicator requires that gross debt, except in the short term, is to be kept below the Capital Financing Requirement (CFR) for the same period. This demonstrates that borrowing has not been taken in advance of need. It is estimated that gross external debt will be lower than the CFR in future years.

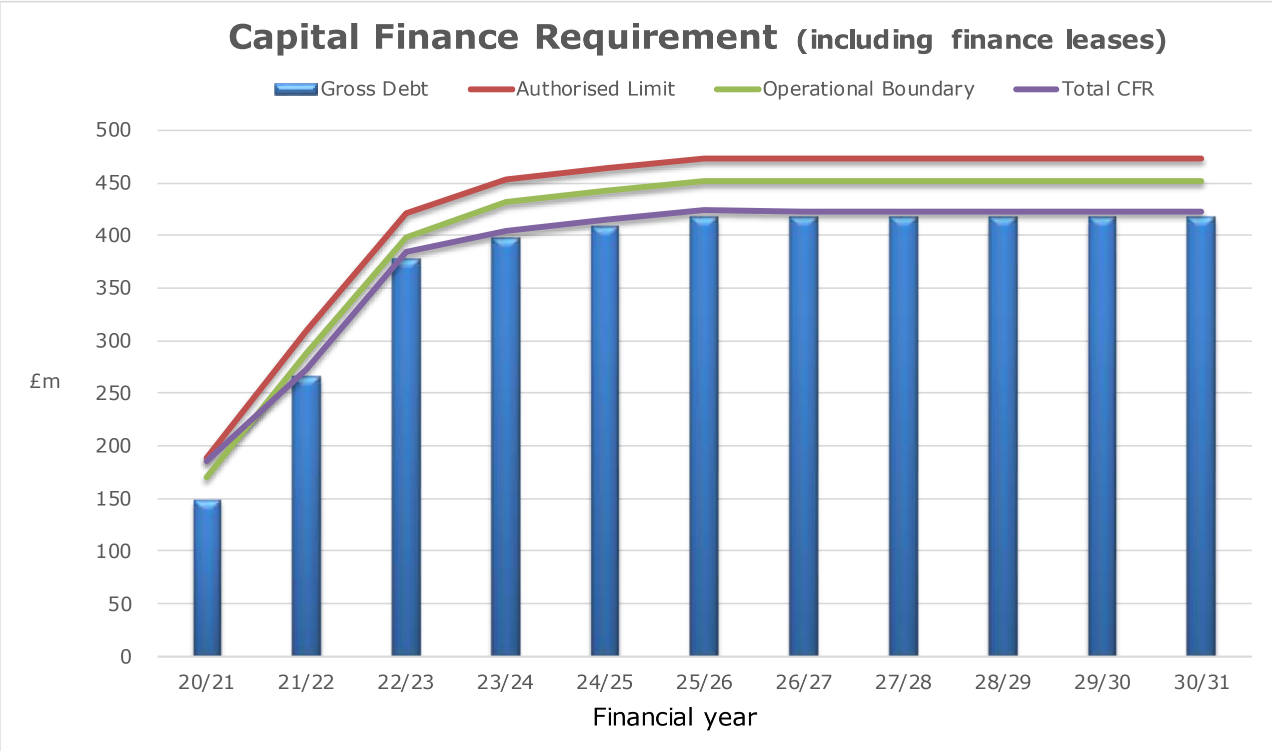
3.2 Table 2 shows the longer-term projections, compared with total debt and the Authorised Limit and Operational Boundary from sections 6 and 7 respectively:

Table 2

Capital Financing Requirement (including finance leases)											
£m	**Actual 20/21**	**Est 21/22**	**Est 22/23**	**Est 23/24**	**Est 24/25**	**Est 25/26**	**Est 26/27**	**Est 27/28**	**Est 28/29**	**Est 29/30**	**Est 30/31**
HRA CFR	161.2	194.5	203.6	212.6	221.6	230.7	230.7	230.7	230.7	230.7	230.7
GF CFR	18.3	22.5	56.5	69.7	69.0	68.3	68.3	68.3	68.3	68.3	68.3
Service activity / non-financial investments	5.6	55.6	124.3	122.7	124.9	124.8	124.6	124.5	124.5	124.5	124.5
Total CFR	**185.0**	**272.7**	**384.3**	**405.0**	**415.6**	**423.8**	**423.6**	**423.5**	**423.5**	**423.5**	**423.5**
External borrowing - HRA	136.2	194.5	203.6	212.6	221.6	230.7	230.7	230.7	230.7	230.7	230.7
External borrowing - GF	12.0	69.9	172.5	184.1	185.7	185.7	185.5	185.4	185.4	185.4	185.4
Other long term liabilities	0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Gross Debt	**148.2**	**265.4**	**377.0**	**397.7**	**408.3**	**417.3**	**417.2**	**417.1**	**417.1**	**417.1**	**417.1**
Internal borrowing - HRA	25.0	-	-	-	-	-	-	-	-	-	-
Internal borrowing - GF	11.8	7.3	7.3	7.3	7.3	6.4	6.4	6.4	6.4	6.4	6.4
WDC internal borrowing	**36.8**	**7.3**	**7.3**	**7.3**	**7.3**	**6.4**	**6.4**	**6.4**	**6.4**	**6.4**	**6.4**
Authorised Limit	189.3	309.5	421.1	453.7	464.3	473.3	473.3	473.3	473.3	473.3	473.3
Operational Boundary	170.3	287.5	399.1	431.7	442.3	451.3	451.3	451.3	451.3	451.3	451.3

3.3 These figures are shown in graphical form, demonstrating that the CFR will be higher than gross debt:

Table 3



3.4 The value of gross debt excludes unapproved borrowing for housing developments (General Fund for Housing Company and Joint Venture; HRA for the Housing Improvement Programme, including new build schemes), other than HRA schemes being considered in the same Council meeting. Approval of these limits does not commit the Council to the underlying schemes but the borrowing for these does rely on the Council approving the schemes and the limits in *Table 3*.

4. Capital Expenditure

4.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

4.2 The Council is required to publish its estimated capital expenditure for both the General Fund (GF) and Housing Revenue Account (HRA) for a minimum of the next three financial years, as well as the actual for the previous year and latest estimate for the current year.

4.3 By modelling various capital programme scenarios, including new HRA properties and commercial investment opportunities, this indicator provides the data for the ratio of financing costs to net revenue stream indicator.

4.4 Table 4 shows the Council's estimated capital expenditure on the General Fund and HRA for the next four years, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Table 4

Capital expenditure	**2020/21 Outturn £'000**	**2021/22 Estimate £'000**	**2022/23 Estimate £'000**	**2023/24 Estimate £'000**	**2024/25 Estimate £'000**
General Fund (non HIP)	11,275	17,515	55,905	14,760	374
Credit arrangements - finance leases	12	-	-	-	-
Housing Investment Programme:					
General Fund (HIP)	-	-	-	-	-
HRA	33,135	59,533	24,489	18,493	18,499
'Service investment' activities / non-financial investments*	350	50,100	68,725	3,000	2,375
Total (A)	**44,772**	**127,148**	**149,119**	**36,253**	**21,248**

* - loans to third parties

4.5 The main item in 'service investment' for 2021/22 is the £50 million joint venture funding outlined earlier. The equivalent figure for 2022/23 includes the final £10 million commitment for this joint venture, plus a speculative additional £50 million of a further joint venture and £8.625 million to finance Milverton Homes, with a further £3 million of this in 2023/24.

5. Capital Financing Requirement

5.1 The Capital Financing Requirement (CFR) is a key measure that shows the underlying need for an authority to borrow for capital purposes, i.e., the difference between the Council's capital expenditure and the revenue or capital resources set aside to finance that spend. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR. The Minimum Revenue Provision (MRP) is chargeable on the General Fund underlying borrowing.

5.2 The borrowing may be either external (such as from the PWLB) or internal borrowing (where an authority temporarily utilises cash backing its reserves and balances rather than taking external loans). External borrowing creates a cost to the Council in terms of having to pay interest on and provide for repayment of external loans while internal borrowing creates lost investment interest and an exposure to future interest rate increases when loans must be taken. The CFR provides the starting point for calculating this cost and the results feed into the ratio of financing costs to net revenue stream indicator.

5.3 The CFR does not increase indefinitely, as the MRP is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

5.4 The CFR includes any other long-term liabilities (e.g., finance leases). Though these liabilities increase the CFR - and therefore, the Council's borrowing requirement - these types of scheme include a borrowing facility by the lease provider and so the Council is not required to separately borrow for these schemes. The Council had £12,100 of such schemes within the CFR at the end of 2020/21.

5.5 *Table 5* summarises how the capital expenditure plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need (i.e., an increase in the Capital Financing Requirement).

Table 5

Financing of capital expenditure	2020/21 Outturn £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
HRA:					
Capital receipts	420	6,270	1,288	500	500
Capital grants and contributions	-	6,397	2,909	-	-
Reserves	7,713	13,365	9,728	8,359	8,364
Revenue contributions	-	123	1,533	600	600
Total HRA	**8,133**	**26,155**	**15,458**	**9,459**	**9,464**
General Fund:					
Capital receipts	395	1,261	6,835	160	-
Capital grants and contributions	5,215	8,796	11,008	3,582	-
Reserves	1,815	2,200	3,434	1,427	294
Revenue contributions	422	659	155	80	80
Total GF	**7,847**	**12,916**	**21,432**	**5,249**	**374**
Combined:					
Capital receipts	815	7,531	8,123	660	500
Capital grants and contributions	5,215	15,193	13,917	3,582	-
Reserves	9,528	15,565	13,162	9,786	8,658
Revenue contributions	422	782	1,688	680	680
Subtotal (B)	**15,980**	**39,071**	**36,890**	**14,708**	**9,838**
Net borrowing need for the year (A – B)	**28,792**	**88,077**	**112,229**	**21,545**	**11,410**

5.6 The net financing need for service investment activities / non-financial investments included in *Table 5* against expenditure is shown in *Table 6*:

Table 6

'Service investment' activities / non-financial investments £'000	2020/21 Outturn	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Capital expenditure	350	50,100	68,725	3,000	2,375
Financing costs (incl MRP)	10	1,752	2,404	120	96
Net financing need for the year	**360**	**51,852**	**71,129**	**3,120**	**2,471**
Percentage of total net financing need %	1%	57%	61%	14%	21%

5.7 These figures are illustrative at this point and are subject to the Council's approval of the underlying capital expenditure.

5.8 The CFR increases where unfinanced capital expenditure takes place and reduces as the Council makes a Minimum Revenue Provision (MRP).

5.9 This Council has four CFRs:

(a) the HRA

(b) the General Fund, which is further subdivided to show

(c) service investment activities / non-financial investments (which have, to date, been loans to third parties at commercial rates of interest and, from 2021/22, the housing joint venture), and

(d) combined total for the whole of the Council (the sum of a to c).

5.10 The estimated CFRs at the end of 2021/22 and each of the next four years are based on the Council's latest capital programme and exclude any unapproved service investment / non-financial activities and additional HRA borrowing for schemes that are subject to viability appraisals, and which would be subject to future Council reports and revised Prudential Indicators, where appropriate. The General Fund CFR also includes the impact of the internal borrowing incurred to date, as well as the internal and external borrowing factored into the current 5-year General Fund Capital Programme.

5.11 The Council is asked to approve the CFR projections in *Tables 7* and *8*.

Table 7

Capital Financing Requirement Year	**(a) HRA £'000**	**(b) General Fund £'000**	**(c) service investments / non financial investments £'000**	**(d) Total £'000**
2020/21	161,160	18,271	5,564	184,995
2021/22	194,539	22,546	55,644	272,729
2022/23	203,572	56,478	124,276	384,326
2023/24	212,606	69,739	122,691	405,036
2024/25	221,639	69,033	124,920	415,592
2025/26	230,672	68,321	124,764	423,757

Table 8

£m	**2020/21 Outturn**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 Estimate**
Capital Financing Requirement						
CFR – non housing	18.3	22.5	56.5	69.7	69.0	68.3
CFR – housing	161.2	194.5	203.6	212.6	221.6	230.7
CFR - service and non-financial investment activities	5.6	55.6	124.3	122.7	124.9	124.8
Total CFR	**185.0**	**272.7**	**384.3**	**405.0**	**415.6**	**423.8**
Movement in CFR	-27.2	87.7	111.6	20.7	10.6	8.2
Service / non-treasury as % of Total CFR	3%	20%	32%	30%	30%	29%

Movement in CFR represented by						
Net financing need for the year ("A-B" above)	28.8	88.1	112.2	21.5	11.4	9.0
Less MRP/VRP and other financing movements	-56.0	-0.4	-0.6	-0.8	-0.8	-0.8
Movement in CFR	**-27.2**	**87.7**	**111.6**	**20.7**	**10.6**	**8.2**

5.12 A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any 'non-financial activities' (noting that the Council does not enter 'for yield / commercial' activities) in relation to the authority's overall financial position. The capital expenditure figures shown in *Table 4* and the details above demonstrate the scope of this activity (up from 3% in 2020/21 to 20% in 2021/22 and 32% in 2022/23, mainly due to the housing joint venture) and, by approving these figures, Members consider the scale proportionate to the Authority's remaining activity.

5.13 The opening HRA CFR at 1 April 2021 was £161.159 million, being the HRA self-financing debt settlement of £136.157 million from 2012 plus new borrowing during 2020/21. At 31 March 2026 the HRA CFR is predicted to have increased to £230.672 million, while the non-housing element would be £68.321 million and the 'non-financial activities' would be £124.764 million, a total General Fund CFR of £193.085 million.

6. External Debt - Authorised Limit

6.1 The Council is required to set - for the forthcoming year and the following two financial years - an Authorised Limit for its total external debt, gross of investments, separately identifying borrowing from 'other long-term liabilities', the latter being credit arrangements, as defined in statute, and which include the principal element of finance leases (or Private Finance Initiative (PFI) if the Council had these contracts).

6.2 The Authorised Limit represents a control on the maximum level of external debt the Council can incur. The Council has no legal power to borrow more than the limits set.

6.3 The recommended Authorised Limit is as shown in *Table 9*:

Table 9

Authorised Limit	2020/21 Outturn £'000	2021/22 Latest £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Debt including HRA settlement	189,279	192,234	192,234	204,116	204,116	204,115
Other long-term liabilities	12	1,000	1,000	1,000	1,000	1,000
HRA HIP	-	58,382	67,415	76,448	85,481	94,515
General Fund HIP	-	-	-	-	-	-
Other General Fund capital programme	-	7,899	41,838	50,514	49,663	49,663
Service investment activities / non-financial investments	-	50,000	118,625	121,625	124,000	124,000
Total Authorised Limit	**189,291**	**309,515**	**421,112**	**453,703**	**464,260**	**473,293**

6.4 The Authorised Limit reflects a level of external debt that, although not preferred, could be afforded in the short-term but may not be sustainable in the longer-term. The Indicators for the Operational Boundary and Gross Debt & the CFR will both be set below the Authorised Limit.

6.5 The Authorised Limit takes account of the Housing Improvement Programme (HIP) and the General Fund capital programme. The figures for 'Service investment activities' are for amounts being considered by Council parallel to this report and would need to be excluded if not approved. It excludes additional HRA development and GF investment regeneration that would be expected to generate a net income stream – these are both subject to future Council decisions and could also require the Prudential Indicators to be formally amended.

6.6 It should be noted that the figures for each year are cumulative.

7. External Debt - Operational Boundary

7.1 The Council is, additionally, required to set an Operational Boundary for external debt, which is for three years and gross of investments.

7.2 The Operational Boundary - which is less than the Authorised Limit - is effectively the day-to-day working limit for cash flow purposes, the level that external debt is not ordinarily expected to exceed. This indicator includes anticipated additional borrowing to cater for forecast capital activity.

7.3 An occasional breach of the Operational Boundary is not a cause for concern (provide that the Authorised Limit is not breached) but a sustained breach could indicate that there are problems with the Council's cash flow. Therefore, this indicator is monitored throughout the year and remedial action taken if necessary.

7.4 The recommended Operational Boundaries are as shown in Table 10. It should be noted that the figures for each year are cumulative (for instance, the £118.6m shown in 2022/23 for service investment activities is the brought forward amount from 2021/22). They are based on the same assumptions outlined in paragraph 6.5 above.

Table 10

Operational Boundary	2020/21 Outturn £'000	2021/22 Latest £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'001	2025/26 Estimate £'002
Debt including HRA settlement	170,279	170,234	170,234	182,116	182,116	182,115
Other long-term liabilities	12	1,000	1,000	1,000	1,000	1,000
HRA HIP	-	58,382	67,415	76,448	85,481	94,515
General Fund HIP	-	-	-	-	-	-
Other General Fund capital programme	-	7,899	41,838	50,514	49,663	49,663
Service investment activities / non-financial investments	-	50,000	118,625	121,625	124,000	124,000
Total Operational Boundary	**170,291**	**287,515**	**399,112**	**431,703**	**442,260**	**451,293**

8. Treasury Indicators

8.1 The following indicators used to be part of the Prudential Code and are now part of the Treasury Management Code of Practice.

8.2 Maturity structure of borrowing:

a) Upper and Lower Limits respectively for the Maturity Structure of Fixed Interest Rate Borrowing:

Table 11

Period	Upper	Lower
Under 12 months	20%	0%
12 months & within 24 months	20%	0%
24 months & within 5 years	20%	0%
5 years & within 10 years	20%	0%
10 years & above	100%	0%

b) Upper and Lower Limits respectively for the Maturity Structure of Variable Interest Rate Borrowing:

Table 12

Period	Upper	Lower
Under 12 months	100%	0%
12 months & within 24 months	100%	0%
24 months & within 5 years	100%	0%
5 years & within 10 years	100%	0%

c) Upper limits to fixed interest rate and variable interest rate exposures on borrowing:

Table 13

Year	Upper Limit - Fixed Rate	Upper Limit - Variable Rate
2022/23	100%	30%
2023/24	100%	30%
2024/25	100%	30%

8.3 Upper limit on total principal sums invested for periods longer than a year:

- The total maximum sum that can be invested for more than 365 days is 70% of the core investment portfolio, subject to a maximum of £30 million at any one time.

However, where investments which originally were for periods of more than 365 days currently have 365 days or less to maturity at the 1 April each year they shall be classed from that date as short term i.e., less than 365 day investments and will not count against the 70% or £30 million limit.

Appendix E

Economic Background

UK

COVID-19 vaccines

These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year.

However, the bursting onto the scene of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations.

Rather than go for full lockdowns which heavily damage the economy, the Government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues.

With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism, and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of Government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working, similar to the pingdemic in July. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid.

However, the biggest impact on growth would come from another lockdown if that happened. The big question remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

Covid remains a major potential downside threat as we are most likely to get further mutations. However, their severity and impact could vary widely, depending on vaccine effectiveness and how broadly it is administered.

A summary overview of the future path of Bank Rate

- After the Bank of England became the first major western central bank to put interest rates up in this upswing in December, it has quickly followed up its first 0.15% rise by another 0.25% rise to 0.50%, in the second of what is very likely to be a series of increases during 2022.

- The Monetary Policy Committee voted by a majority of 5-4 to increase Bank Rate by 25bps to 0.5% with the minority preferring to increase Bank Rate by 50bps to 0.75%. The Committee also voted unanimously for the following:
  - to reduce the £875n stock of UK government bond purchases, financed by the issuance of central bank reserves, by ceasing to reinvest maturing assets.
  - to begin to reduce the £20bn stock of sterling non-financial investment-grade corporate bond
  - purchases by ceasing to reinvest maturing assets and by a programme of corporate bond sales to be completed no earlier than towards the end of 2023.
- The Bank again sharply increased its forecast for inflation – to now reach a peak of 7.25% in April, well above its 2% target.
- The Bank estimated that UK GDP rose by 1.1% in quarter 4 of 2021 but, because of the effect of Omicron, GDP would be flat in quarter 1, but with the economy recovering during February and March. Due to the hit to households' real incomes from higher inflation, it revised down its GDP growth forecast for 2022 from 3.75% to 3.25%.
- The Bank is concerned at how tight the labour market is with vacancies at near record levels and a general shortage of workers - who are in a very favourable position to increase earnings by changing job.
- As in the December 2021 MPC meeting, the MPC was more concerned with combating inflation over the medium term than supporting economic growth in the short term. However, what was notable was the Bank's forecast for inflation: based on the markets' expectations that Bank Rate will rise to 1.50% by mid-2023, it forecast inflation to be only 1.6% in three years' time. In addition, if energy prices beyond the next six months fell as the futures market suggests, the Bank said CPI inflation in three years' time would be even lower at 1.25%. With calculations of inflation, the key point to keep in mind is that it is the rate of change in prices – not the level – that matters. Accordingly, even if oil and natural gas prices remain flat at their current elevated level, energy's contribution to headline inflation will drop back over the course of this year. That means the current energy contribution to CPI inflation, of 2% to 3%, will gradually fade over the next year.
- So the message to take away from the Bank's forecast is that they do not expect Bank Rate to rise to 1.5% in order to hit their target of CPI inflation of 2%. The immediate issue is with four members having voted for a 0.50% increase in February, it would only take one member more for there to be another 0.25% increase at the March meeting.
- If the UK invokes article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland, this has the potential to end up in a no-deal Brexit.
- In summary, with the high level of uncertainty prevailing on several different fronts, Link expect to have to revise their forecasts again - in line with whatever the new news is.
- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows:
  - Raising Bank Rate as "the active instrument in most circumstances".
  - Raising Bank Rate to 0.50% before starting on reducing its holdings.
  - Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
  - Once Bank Rate had risen to at least 1%, it would start selling its holdings.

USA

- Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, **CPI inflation hit a near 40-year record level of 6.8%** but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decade high.
- **Shortages of labour** have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.
- Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the **Fed's meeting of 15 December** would take aggressive action against inflation. Accordingly, the rate of tapering of monthly $120bn QE purchases announced at its November 3 meeting. was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – "maximum employment". The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was also significant was that this month the Fed dropped its description of the current level of inflation as being "transitory" and instead referred to "elevated levels" of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent "for some time". It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.

EUROZONE

- The slow role out of vaccines initially delayed **economic recovery** in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.
- **November's inflation figures** breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth

remains subdued and there are no signs of a trend of faster wage growth which might lead to *persistently* higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB's target of 2% and it is likely to average 3% in 2022, in line with the ECB's latest projection.

- **ECB tapering.** The ECB has joined with the Fed by also announcing at its meeting on 16 December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB's target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.
- The ECB will now also need to consider the impact of **Omicron** on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.
- The EU has entered a **period of political uncertainty** where a new German Government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.

CHINA

- After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.
- However, the pace of economic growth has now fallen back in **2021** after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The **People's Bank of China** made a start in December 2021 on cutting its key interest rate marginally to

stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.

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

JAPAN

- 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.
- The Bank of Japan is continuing its **very loose monetary policy** but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.

WORLD GROWTH

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

SUPPLY SHORTAGES

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

Appendix F

INTEREST RATE FORECASTS

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is now to the downside.

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

- **Mutations** of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed or unable to be administered fast enough to stop the NHS being overwhelmed.
- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity.
- **Bank of England** acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- The **Government** acts too quickly to cut expenditure to balance the national budget.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Geopolitical risks**, for example in Ukraine / Russia, Iran, China, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

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

- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- Longer term US treasury yields rise strongly and pull gilt yields up higher than forecast.

Link Group forecast

- Link now expect the MPC to sharply increase Bank Rate during 2022 to combat the sharp increase in inflationary pressures. They do not think that the MPC will embark on a series of increases in Bank Rate of more than 1.00% during the current and next three financial years as they do not expect inflation to return to being sustainably above 2% during this forecast period.
- **With unpredictable virus factors now being part of the forecasting environment, there is a risk that forecasts could be subject to significant revision during the next three years.**

Report Information Sheet

Please complete and submit to Democratic Services with draft report

Committee/Date	Finance and Audit Scrutiny Committee 8 March 2022
Title of report	Treasury Management Strategy 2022/23

Consultations undertaken		
Consultee *required	**Date**	**Details of consultation /comments received**
Ward Member(s)		N/A
Portfolio Holder WDC & SDC *		Cllr Richard Hales
Financial Services *		Richard Wilson
Legal Services *		N/A
Other Services		N/A
Chief Executive(s)		Tony Perks (Deputy Chief Executive)
Head of Service(s)	14/2/22	Mike Snow
Section 151 Officer	14/2/22	Mike Snow
Monitoring Officer		Tony Perks
CMT (WDC)		N/A
Leadership Co-ordination Group (WDC)		N/A
Other organisations		N/A

Final decision by this Committee or rec to another Ctte/Council?		Rec to Council by 31 March 2022
Contrary to Policy/Budget framework		No/~~Yes~~
Does this report contain exempt info/Confidential? If so, which paragraph(s)?		No/~~Yes, Paragraphs :~~
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?		~~No~~/Yes, Forward Plan item 1266 scheduled for ???……………………..….
Accessibility Checked?		File/Info/Inspect Document/Check Accessibility

Title: Trees for our Future

Lead Officer: Dave Barber and Andrew McGwinn
Portfolio Holder: Councillor Alan Rhead
Wards of the District directly affected: All

Summary

This report provides an update on progress made towards the Council's ambition of planting 160,000 trees by 2030. It summarises our learning from the initial stages of the project, provides a forecast for tree planting initiatives across the district over the next eight years and quantifies the potential gap. It then explores the options available to deliver tree planting at the scale needed to achieve the 2030 ambition, along with estimated costs.

Recommendation(s)

(1) That the proposed options for enabling the delivery of 160,000 trees across the district by 2030, as set out in paragraph 4.2, be agreed.

(2) That the Council seeks a single site for memorial trees to be planted, to address demand for community tree planting initiatives.

(3) Cabinet notes the budget that has already been established for tree planting as set out in paragraph 2 and agrees the proposals to utilise this to deliver 1,200 trees on the Council's land in 2022/23, with 5,000 trees to be planted elsewhere.

(4) That the longer-term costs associated with tree planting, as set out in paragraph 2.4, be noted and that work continues to refine these figures so they can be incorporated in future years' budgets. Appendix 2 provides a year-on-year forecast cost for additional volumes needed to reach 160,000 trees by 2030.

(5) That, should the proposed delivery options in this paper be agreed, delegated authority is given to the Director for Climate Change, in consultation with the Portfolio Holder for Climate change, to finalise delivery priorities from those options. This will include decisions relating to accessing appropriate funding, land purchase and finalising a species list that will be used for monitoring of delivery.

(6) That the Council enters a formal partnership with a relevant expert organisation as a key mechanism for delivering and managing large scale tree planting, with delegated authority given to the Director for Climate Change, in consultation with the Portfolio Holder for Climate change, to negotiate the terms of that partnership.

(7) That the Council reviews project progress in 12 months to inform future plans.

1 Background/Information

1.1 At its meeting on 1st October 2020, the Cabinet endorsed the project's initial approach and agreed a formal target of planting 160,000 trees by 2030. It also provided approval for £118,000 of funding to cover the first 18 months of activity (ending April 2022).

1.2 This included the commencement of 'woodland opportunity mapping' via the Habitat Biodiversity Audit Partnership. This exercise is now complete. Data shows where tree planting can deliver the greatest benefit in terms of improved connectivity for nature.

1.3 Key sites owned by Warwick District Council were identified where early tree planting could commence. By the end of this planting season (March 2022) the Council expects to have planted c.5,000 trees towards its target. This means a further c.155,000 tree planting opportunities need to be identified over the next eight years. This table summarises where planting has taken place so far:

Tree Planting Initiatives	**Volume**	**When?**
2019/20 Season	485	2019/20
Newbold Comyn 21/22	1200	Dec 21-Jan 22
Myton Green	200	Dec-20
2020/21 Season	1696	2020/21
Whitley South Country Park	146	2022
Estates	7	2021
Stratford Road Riverside (Warwick)	1440	Jan-Feb 22
TOTAL	**5,174**	**March 2022**

1.4 Sites owned by Warwick District Council and identified as having the potential to support new planting continue to be targeted. A number of potential locations are being considered for 2022/23 but these need to be reviewed to confirm feasibility. It is anticipated these could deliver c.1,200 trees and this figure will be supplemented through the requirement of new developments to incorporate tree planting. These volumes will be tracked and confirmed on a quarterly basis. The table below shows potential planting sites for 2022/23:

Site	Potential Volume of Trees	Expected date of tree planting
Portobello Road Bridge (Warwick)	150	2022/23 - lots of landlocked services that need reviewing to enable development of a feasible plan.
Millbank Council Flats - HRA (Warwick)	385	2022/23 - lots of landlocked services that need reviewing to enable development of a feasible plan.
Finham Road/Dalehouse Lane HRA (Kenilworth)	480	2022/23 - lots of landlocked services so we need to review these and develop a feasible plan.
Crown way Council flats - HRA (Lillington, Leamington)	172	TBC – more than one land use is being considered for this site.
Avenue of trees St. Nicholas Park	30	2022-23 – dependent on completion of cycle track widening.
TOTAL	**1,217**	**November 2022 - March 2023**

1.5 A number of large-scale tree planting opportunities could also arise for the Council within the next eight years, most notably as part of the developments at Tachbrook Country Park and Newbold Comyn. These sites could deliver c.65,000 trees or more but this is based on several assumptions and so is a high-risk forecast. As the schemes' details are worked up, greater clarity on these forecasts will be possible. This table shows the anticipated volume of trees that could be delivered as part of these developments:

Tree Planting Initiatives	Volume	When?	Confidence?
Tachbrook Country Park - Phase 1	32,849	Winter 23/24	High
Tachbrook Country Park Phase 2	32,000	TBC	Medium
Enabling development for Phase 2	500	TBC	Medium
Tachbrook Country Park Phase 3	TBC	TBC	Low
Newbold Comyn - future	28,454	TBC	Medium
TOTAL	**65,349**	**TBC**	Low

1.6 Taking into account the existing and planned tree planting set out above, the Council will need to find an additional c.80,000 tree planting opportunities in order to reach the 160,000 target. This equates to c.10,000 trees in each of the eight remaining planting seasons ending in 2029/30.

1.7 A target of 5,000 additional trees proactively planted in 2022/23 is proposed. This is based on tree planting achievements in recent years and would be a challenging target that allows for the refinement of methods. This number could then be increased, as the Council builds momentum and develops partnerships, resulting in an additional 74,000 trees by 2030.

1.8 This profile should be regularly reviewed as aspects such as development volumes, Tachbrook Country Park Phases two and three and any other opportunities become clearer. It can then be amended as needed and in line with financial resources, as appropriate.

1.9 These tree forecasts are based on several assumptions, summarised in appendix 4.

2 Financial

2.1 The cost of planting 5,000 trees on land not owned by Warwick District Council is expected to be £318,200 (see appendix 1) in 2022/23. In addition, it is estimated a further £10,000 is needed to plant 1,200 trees on Council land (£328,200 in total).

2.2 £328,000 has already been set aside for this purpose. This is derived from:

- £100,000 from the Climate Action Fund as agreed by Cabinet in November 2021
- £140,000 from the New Homes Bonus allocation, as agreed as part of the February budget report
- £88,000 from the remaining unspent budget from the original tree planting allocation agreed in October 2020. A request to carry this forward to 2022/23 for the purposes detailed in this report will be made.

2.3 Work is under way to minimise the financial resources required from the Council by considering opportunities for volunteering, bidding for grant funding and greater partnership working.

2.4 Looking ahead to 2023/24 and beyond, estimated costs to deliver the trajectory set out in paragraph 1.7 above have been identified and are set out in appendix 1. As the Council's formal partnership with a delivery expert is established, these costs will be refined further and will inform future budget setting. The best estimate at this stage suggests the total costs of additional tree planting needed to fill the gap through to 2030 could total £4,187,0000 (see appendix 2). These cost forecasts are based on the assumptions summarised in appendix 4.

3 Key learnings and challenges

3.1 The first two tree planting seasons of the project delivered around 5,000 trees. This pilot phase has been a rich source of learning and our understanding of the challenges and opportunities means the Council is now able to plan the remainder of the programme with greater confidence. It should be noted that during the pilot stage, key staff from both Warwick District Council and The Heart of England Forest moved to new roles. This affected the momentum of the project but added to our learning, meaning this early phase was sufficient to help inform the revised delivery model proposed in this paper, despite the project having been paused before the formal end of its pilot period.

3.2 This pause means the project will be requesting any funding from the 2021/22 budget that is not already committed to be spent elsewhere is carried over to the 2022/23 budget. This will be required for future planting schemes if the Council is to meet its 160,000 target.

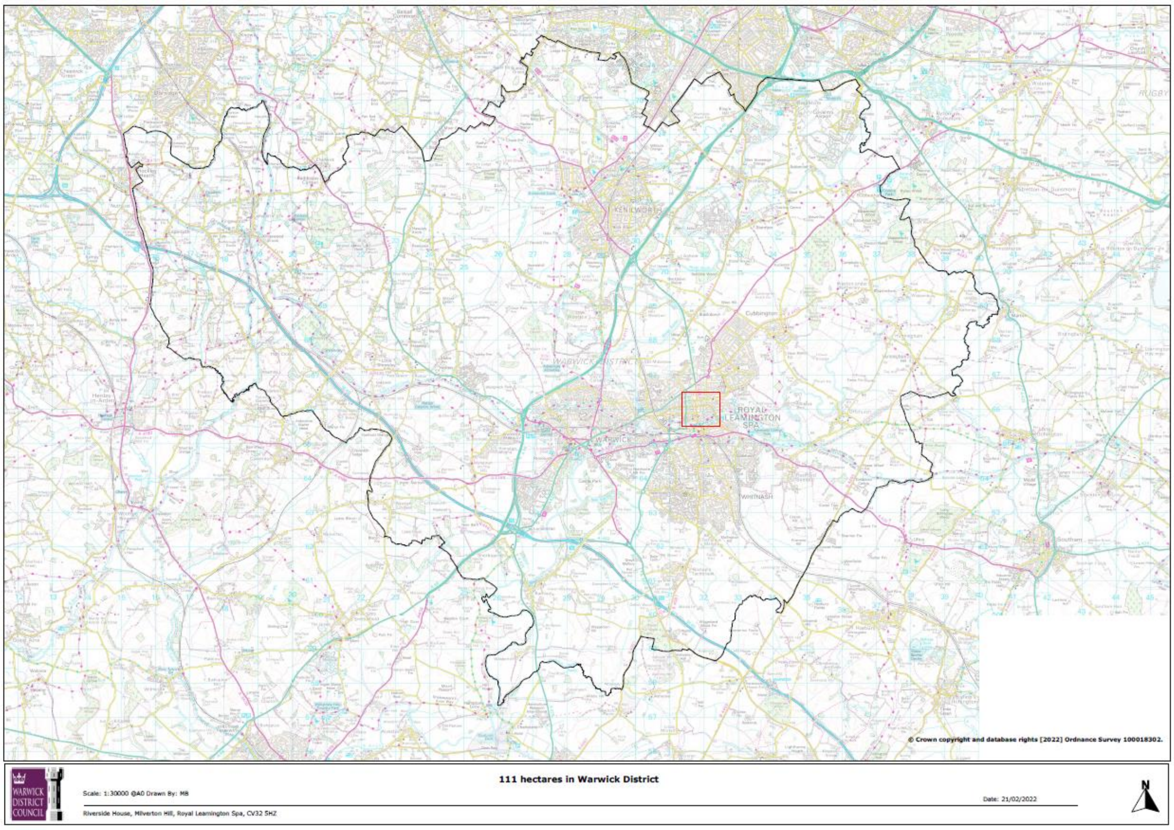
3.3 It's anticipated that the next 12 months will bring additional learning and so recommendation (7) suggests the Council reviews project progress in 12 months' time.

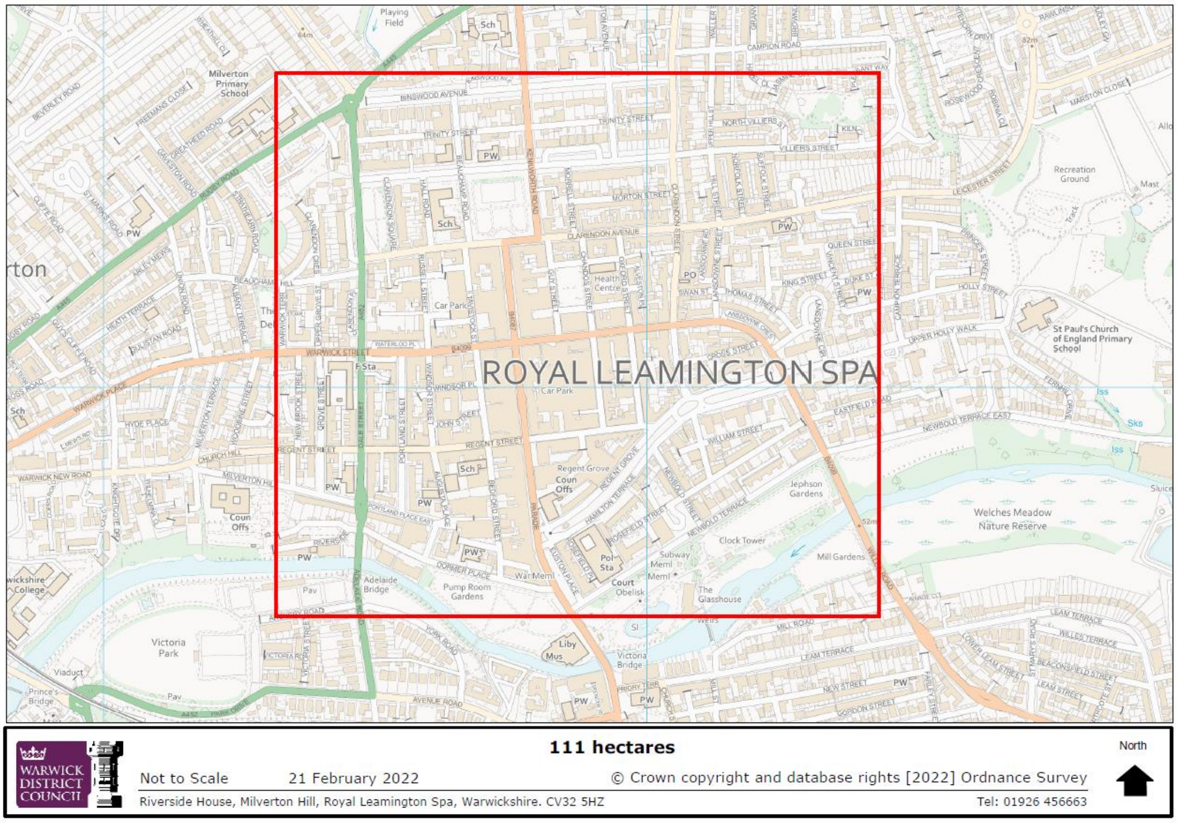
3.4 The main challenge the Council expects to face is obtaining access to enough suitable land to plant such a large volume of trees. 160,000 trees are expected to require 111 hectares of land (the equivalent of 154 football pitches). While Council land can be utilised for much of this, the forecast gap of 80,277 trees equates to 55.75 hectares (or 77 football pitches), meaning more land is needed.

3.5 The table below provides local comparisons to show how much land 111 hectares of tree planting will require:

Local Landmark	Size	111 Hectares Equivalent
Victoria Park	7.95 hectares	14 Victoria Parks
Warwick Racecourse	78.2 hectares	1.4 Warwick Racecourses
Abbey Fields	25.8 hectares	4.3 Abbey Fields
Newbold Comyn	120.1 hectares	0.9 Newbold Comyns
Royal Priors Shopping Centre	2.1 hectares	52.9 Royal Priors Shopping Centres
St. Nicholas Park	15.6 hectares	7.1 St. Nicholas Parks

3.6 The maps below include a 111-hectare square to illustrate how much land 111 hectares of tree planting will require:





3.7 The Council has received multiple individual requests from within the local community for single or small numbers of trees to be planted to commemorate events and lives. While it is recognised that this is highly important to our communities, these trees are subject to the same challenges and lack of space is an issue. These requests would also divert the same resources from the large-scale targets proposed in this paper that would bring forward greater benefits for all.

3.8 The district covers 28,300 hectares and much of this is privately owned. Most of the land owned by the Council is centred in the built-up areas of Warwick, Kenilworth, Leamington Spa and Whitnash and so not suitable for large-scale planting. This also means solely using Council land would not deliver the improved connectivity needed to create additional opportunities for wildlife and habitats.

3.9 As such, it is clear that planting this volume of trees will be highly challenging. National policy stresses the importance of 'right tree, right place' and this must be a key part of how the Council delivers this work. Trees are a critical part of our environment and ecosystems but there are many examples where planting them could have a negative impact. Overall, a mixture of flourishing habitats that fit well with the landscape and area will be of most benefit to the district. Trees are one part of these ecosystems and symbolic to many of achieving this balance that will contribute to mitigating climate change.

4 Options

4.1 The Council's overall strategy for delivering 160,000 trees is likely to include various elements. Many (79,723) are expected to be delivered through planting on Council land and supplemented via landscaping work undertaken as part of new developments. However, this forecast includes several assumptions and so needs to be monitored over time. It also leaves a shortfall of 80,277 trees, meaning additional proactive planting is needed.

4.2 There are a number of options available to address this shortfall (see appendix 3 for more detail). It is anticipated that delivering enough trees to address the shortfall will involve a combination of approaches. The precise combination used will depend on both the circumstances of specific sites and the advice of our expert partners. However, the options are likely to include:

1. Purchasing land specifically for the purpose of tree planting
2. Launching a 'call for land' campaign to try and find landowners with land suitable for large scale planting who are willing to let it be used for this purpose
3. Working with partners (such as the Woodland Trust) to run a third-party tree pack handout campaign
4. Building partnerships with other organisations to help us meet our targets
5. Working with Warwickshire County Council to establish and utilise a local carbon offsetting market which seeks to offset carbon by delivering local tree planting.

The option to extend the deadline beyond 2030 has also been considered. However, recognising stated commitments and the importance of progressing ecological and climate related initiatives quickly, this option has been rejected.

4.3 To address the challenges highlighted in paragraph 3.4 it is recommended that the Council progresses detailed plans to acquire a site that fulfils commemoration requests in a single place. Once we obtain a suitable site this can then be used to accommodate tree planting requests from residents. This could include trees planted in memory of loved ones, to commemorate events or to enable people to play a role in helping combat climate change.

4.4 The table below shows how the combination of tree planting initiatives will deliver 160,000 trees:

Tree Planting Initiatives	**Volume**	**Comments**	**Confidence**
Trees planted between May 2019 and March 2022	5,174	This work is mostly complete or already planned in and so high confidence.	High
Short-term opportunities 2022/23	1,200	These opportunities need further detailed review to confirm feasibility.	Medium
Long-term opportunities	65,349	This forecast is based on several assumptions and is dependent on developer consultation and land acquisition. As such, it is high risk.	Low
Developments 2022-2030 (assumption)	8,000	This assumes 1,000 trees per year over eight years and is not based on any robust data, so is high risk.	Low
Trees needed to be delivered through the strategy summarised in paragraph 4.2	80,277	This is dependent on both sufficient funding and land of sufficient size and quality being available.	Low
TOTAL	**160,000**		

TARGET	**160,000**	

4.5 It is recommended that the Council focuses its resource and budget on large-scale tree planting initiatives. This will ensure it is able to reach the ambitious target.

4.6 It is suggested that the available budget (see 2.2 above) is not allocated to specific elements of the work at this stage. Instead, while noting the estimated costs set out in appendix 1, it is proposed the budget is used flexibly to deliver large scale tree planting according to the most effective combination of the options suggested above. For this reason, recommendation (5) seeks delegated authority for the Director for Climate Change to agree which options are pursued to achieve tree planting targets, in consultation with the Portfolio Holder for Climate Change. This will include but not be limited to the options identified so far, such as accessing appropriate funding bids, land purchase decisions and finalising the relevant target species that will be monitored.

5 'Trees Call to Action' Partnership

5.1 The Council recently submitted an application to the National Lottery Heritage Fund's 'Trees Call to Action' Fund in support of the England Trees Action Plan. If successful, this would see the Council develop partnerships with The Heart of England Forest, Stratford District Council and Wychavon District Council, securing £498,750 in shared funding to plant an extra 363 hectares of woodland by 2025. This will involve The Heart of England Forest recruiting four new project delivery staff and each of the four partners will recruit one forest operative apprentice. Together, this Partnership would develop a pipeline of tree planting opportunities, building on local nature recovery network plans to increase tree coverage from 7% today to 8% by 2030 and 10% by 2050 (based on stretch targets). This would be achieved by engaging with at least 50 landowners to identify suitable land, progressing plans for tree planting and future maintenance for a minimum of 10 landowners, as well as engaging with all 205 parish and town councils across the Partnership.

5.2 The Council will learn if it has been successful in this application by the end of March. If so, this could supplement the 2022/23 budget to enable an accelerated tree planting trajectory.

6 Alternative Options available to Cabinet

6.1 The target could be amended, so instead of planting 160,000 trees by 2030 the Council aims to do this by a later date (for example, by 2040). It is possible this target could be met without any additional spend on proactive planting. This option has been rejected given the need to address the climate emergency and strong existing corporate commitment to deliver large scale tree planting by 2030.

6.2 The target could be reduced, so instead of planting 160,000 trees by 2030 the Council aims to plant 80,000. It is currently forecast that this target could be met without any additional spend on proactive planting. This has been rejected for similar reasons to those in 6.1 above.

6.3 The option of doing nothing has also been considered. The Council could simply monitor existing schemes and revisit this approach each year to determine if further action is required. This has also been rejected for similar reasons to those in 6.1 above.

7 Consultation and Member's comments

7.1 The Climate Change People's Inquiry made a strong recommendation that the Council should use its land to enhance biodiversity and tree planting. The commitment to large scale tree planting has been supported by Members as part of the Business Strategy. The proposals have been reviewed by the Tree Planting Project Board, which includes the Portfolio Holder.

8 Implications of the proposal

8.1 Legal/Human Rights Implications

8.1.1 There are no legal or human rights implications related to these proposals.

8.2 Financial

8.2.1 As set out in paragraph 2.2 above, the budget required to meet the tree planting proposals for 2022/23 has already been established, subject to the earmarked reserve of c.£88,000 being agreed.

8.2.2 Appendix 2 profiles the estimated costs for future years needed to deliver 160,000 trees. These estimates will be further refined during the current year. At present no budget has been allocated beyond 2022/23, meaning the costs of future tree planting will need to be considered for future budgets in the context of other ambitions and availability of funds.

8.2.3 It is particularly important to note that the commitment to these sites will be long term. Any trees will require ongoing maintenance to help them thrive, particularly in the first few years. This will include weeding, checking and removing tree guards, looking for signs of disease or pests and, eventually, thinning to remove competition and ensure trees grow stronger and more resilient. The Heart of England Forest has suggested a figure of £200 per hectare is appropriate for these activities. However, these costs could be disproportionately high for any small sites. Benefits will be realised in the form of health and wellbeing improvements, climate change mitigation and visual/biodiversity impacts on the environment. In the long-term there is also a potential commercial value from the timber and thinnings created through the ongoing management of sites.

8.3 Council Plan

8.3.1 The Business Strategy 2020-23 sets out the ambition for Warwick District Council to deliver 160,000 trees over four years as part of its response to the Climate Emergency. After reviewing options and applying a pragmatic approach in light of the Council's landholdings and resources, the report agreed by Cabinet on 1st October 2020 reframed the ambition to deliver 160,000 trees by 2030. This corporate ambition provides the basis for this report.

8.4 Environmental/Climate Change Implications

8.4.1 The Climate Change Action Programme has been formed to respond directly to the Council's Climate Change ambitions. The Trees for Our Future project is a critical part of this programme.

8.5 Analysis of the effects on Equality

8.5.1 While the overall impact of the project should be positive to all residents within the district, a full Equalities Impact Assessment has been undertaken. As individual sites within the direct control of the Council are brought forward, further assessment of those sites will be undertaken.

8.6 Data Protection

8.6.1 There are no data protection implications related to this proposal.

8.7 **Health and Wellbeing**

8.7.1 If the tree planting targets documented in this paper are met these will have a positive impact on health and wellbeing across the District. Planting schemes will enhance the amenity of the District and help achieve a carbon zero vision. The benefits of tree planting are widely recognised and include visual enhancement of landscapes, benefits to physical and mental wellbeing, flood alleviation, cooler temperatures, absorption of carbon and other pollutants and reduction of soil erosion.

9 Risk Assessment

9.1 A separate risk register is being maintained and reviewed regularly by the Project Board as part of this project. The key risks have been included below: -

Risk	**Impact**
As a result of the high costs associated with this work and the uncertainty around funding in future years, there is a risk that the budget available to deliver the forecast volume of trees beyond 2022/23 will not be sufficient.	With a consequence that we may be unable to deliver the forecast volume of trees in future years. This could mean we do not reach the 160,000 target by 2030.
As a result of the fact that most quick wins have been utilised in terms of Warwick District Council owned sites for planting, there is a risk that the project could be seen to be not delivering while new land is brought online	With a consequence that this has a negative impact on the Council's public image.
As a result of the large volume of additional trees being planted as part of this project and the limited resources of the Council, there is a risk that the long-term sustainability of these trees is not addressed appropriately (cost considerations relating to maintenance etc.)	With a consequence that the trees are not looked after appropriately and do not thrive or have a negative impact on the surrounding area. It’s possible that long-term benefits gained from thinning and other management activity could help mitigate these costs.
As a result of landowners waiting to see what happens in terms of new agricultural policy and grants in the wake of Brexit, there is a risk that we are unable to access the land needed to undertake proactive tree planting. (2021 was the worst year for land availability on record, with 2020 the second worst year).	With a consequence that we are unable to undertake proactive tree planting on land we do not own and so bridge the gap between anticipated tree planting volumes and the 160,000 target. We are currently forecasting a shortfall of 80,277 trees if no additional proactive planting is undertaken.
As a result of the variety and size of costs involved with planting such a large volume of trees, there is a risk that these could increase beyond current assumptions and, even if this is not the case, there could be insufficient funding available to achieve the	With a consequence that we don't hit the volume of planting needed or need to spend above forecast budget. This could have a negative impact on the Council's public image and benefits associated with tree planting would not

targeted number of trees by 2030.	be as great as forecast.
As a result of competing priorities there is a risk that land won't be used to its full potential in terms of maximising the volume of trees that can be planted on it.	With a consequence that we need to identify more suitable land than otherwise would have been the case (it's currently forecast that 111 hectares is needed in total). This impacts time and cost in terms of hitting the 160,000 target.
As a result of the differing priorities of landowners, there is a risk that while the mapping work done so far could show the 'right tree, right place' from an ecological point of view, this may not marry up with economic objectives of landowners.	With a consequence that the project does not deliver benefits to the greatest extent possible (i.e. increasing connectivity, habitat spread).

10 Conclusion/Reasons for the Recommendation

10.1 It is anticipated the Council will plant 79,723 trees by 2030 within the scope of existing green space projects. Therefore, to meet the target of 160,000 it will be necessary to undertake additional proactive planting activity that delivers around 74,000 trees. It is suggested that as well as aiming to plant 1,200 trees on land it owns in 2022/23, the Council aims to plant an additional 5,000 trees on land it does not. This annual planting target should then rise as high as 11,000 by 2025/26 and remain at a minimum of 10,000. This is because the time between buying land and planting the first tree can take as long as three years. By steadily increasing the annual target we can account for this delay and deliver an additional 74,000 trees by 2030, closing the gap to 6,277.

10.2 By monitoring progress at larger sites and trees planted as part of new developments, this planting profile can then be amended as needed to ensure the Council hits the 160,000 target while retaining close cost controls on the delivery.

10.3 It is recommended that the Council focuses its resource and budget on large-scale tree planting initiatives to ensure it can reach its ambitious target. The Council will also seek a single site for memorial trees to be planted to address demand for community tree planting initiatives.

10.4 This work will also help deliver wider incidental benefits associated with tree planting. This includes improved air quality, health and wellbeing improvements and combating the impacts of climate change.

Appendices

Appendix 1: Estimated cost of planning and planting 5,000 trees on land we don't own: -

Cost Type	**Cost Per Hectare (1440 trees)**	**Cost for 5,000 Trees**
Bare root tree 40 - 60cm	£1,440	£5,000
Tree shelter 1.2m	£2,160	£7,500
Stake	£1,152	£5,200
Labour	£1,728	£4,000
Land Purchase (per hectare)	£30,888	£107,248
Land registry fees	£10	£139
Land access (footpaths, fencing, locks on gates etc)	£500	£1,736
Land agent and legal fees	£3,089	£10,725
Resources (per annum) – two FTE needed to engage landowners and councils, identify suitable land and progress plans for tree planting and future maintenance.	£103,752	£103,752
Surveys (per hectare)	£3,000	£10,417
Utilities searches	£130	£450
Public consultations	£188	£651
Forestry design (per hectare)	£350	£1,215
Ground preparation (per hectare)	£5,000	£17,361
Signage/interpretation (per hectare)	£1,750	£6,076
Environmental Impact Assessment	£7,000	£7,000
TOTAL		**£289,270.23**
TOTAL including 10% contingency for unknowns		**£318,197.25**

It is important to note that trees will require ongoing maintenance to help them thrive. This will include weeding, checking and removing tree guards, looking for signs of disease or pests and, eventually, thinning to remove competition and ensure trees grow stronger and more resilient. The Heart of England Forest have suggested a figure of £200 per hectare is appropriate for these activities. The budget assumes this will be required the year after planting. For 2023/24 this means £694 will be needed to maintain the 3.47 hectares of land planted in 2022/23.

Appendix 2: Total cost of additional tree planting needed to fill the gap (plus ongoing maintenance costs): -

Financial Year	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**Totals**
Proactive Tree Planting Target	5000	7000	9000	11000	11000	11000	10000	10000	**74,000**
Budget Forecast	£289.2k	£367.9k	£449.5k	£534.3k	£545.0k	£555.9k	£526.8k	£537.3k	**£3.81m**
Budget Forecast with Contingency	£318.2k	£404.7k	£494.5k	£587.7k	£599.5k	£611.5k	£579.5k	£591.1k	**£4.19m**
Ongoing maintenance costs	N/A	£708	£1.7k	£3.1k	£4.8k	£6,594	£8.4k	£10.2k	**£35.6k**

Appendix 3: Options available to address the gap of 77,951 trees: -

Option	Benefits	Concerns	Ranking
1. Purchase land specifically for the purpose of tree planting.	- As the owner the Council can ensure the land is used for trees that are in place for the long-term - Removes dependencies on others to help us meet our tree planting targets.	- Most costly option - Finding suitable land will take time - Surveys will be needed to ensure land is suitable – this will involve costs that may not result in more trees - We'll be competing with others who want land.	2
2. Launch a 'call for land' campaign to try and find landowners with land suitable for large scale planting who are willing to let it be used for this purpose.	- Engages the local community in our plans - Avoids costs associated with purchasing land.	- Means we are dependent on local landowners - Finding enough suitable land will take time - Surveys will be needed to ensure land is suitable – this will involve costs that may not result in more trees - May result in lots of small pockets of land, involving time, effort and cost - Requires agreements to ensure trees are left in situ for the long-term.	3
3. Work with the Woodland Trust to run a third-party tree pack handout campaign – they have seen success with this in Leicester.	- Engages the local community in our plans - Individuals take responsibility for planting trees - Shared costs with Woodland Trust	- Difficult to track – need to assume trees are planted - Dependent on local take up of tree packs.	4
4. Develop partnerships with other organisations to help us meet our targets.	- Utilising expertise of other groups will help us to meet our targets.	- Fails to address biggest challenge – access to suitable land.	1
5. Work with Warwickshire County Council to establish and utilise a carbon offsetting market to	- The concept dovetails well with the Council's emerging Net Zero Carbon DPD - A study undertaken for WCC suggests this	- Offsetting can only be justified where the schemes delivered are not already funded through other sources - Planting through offsetting must still	5

deliver tree planting	could deliver thousands of trees per year across Warwickshire - Provides a sources of external funding to deliver tree planting	deliver the 'right tree in the right place' - Many of the local offsetting opportunities within Warwickshire may not be within Warwick District, meaning the numbers delivered in this way could be quite small - Whilst the feasibility for establishing a local carbon market is well advanced, at this stage, the market is not yet in place	
5. Extend the deadline for hitting the 160k target beyond 2030.	- Gives us time to review progress of current plans before spending additional budget.	- This could have a negative impact on the Council's public image and benefits associated with tree planting would not be realised as soon as envisaged.	7
6. Do nothing – simply monitor existing schemes and revisit this approach each year to determine if we need to do anything more.	- Gap filling plans will be based on actual needs at the time - Current plans may be sufficient, meaning we could avoid additional costs.	- We could be seen to be doing nothing, which could have a negative impact on the Council's public image - Unlikely to hit 160,000 target without additional planting.	6

Appendix 4: Key assumptions relevant to this paper: -

Assumption	Uncertainty	Impact
We will have planted 5,174 trees by the end of March 2022. This is dependent on final planting volumes at Myton Green, Whitley South Country Park and Stratford Road - Riverside.	Low	Low
We will be able to plant 1,200 trees on Warwick District Council land in the 2022/23 planting season, at a cost of £10,000. This is dependent on land checks to ensure planting does not impact existing utilities.	Medium	Medium
Tree volumes in paragraph 1.5, showing the large-scale tree planting opportunities that could arise for the council within the next eight years, will deliver 65,349 trees.	High	High
We will be able to plant 5,000 trees on land we do not own in 2022/23.	Medium	Medium
We will only be planting whips (not established trees which cost much more).	Low	Medium
1,440 trees can be planted per hectare (and so we require 4.51 hectares of land in order to proactively plant 6,500 trees).	Medium	High
Land purchase will cost £12,500 an acre and therefore one hectare will cost £30,888.	Medium	High
All costs are correct - these are themselves based on assumptions and subject to change.	Medium	High
Maintenance costs will become applicable the year after planting for all trees planted previously (and so have an accumulative effect). These will equate to £200 per hectare.	Low	Medium
Trees planted as part of new developments will total 8,000 between 2022 and 2030.	High	High
Legal fees and land agent advice will equate to 10% of the land purchase cost.	High	Low
Inflation will result in an increase of 2% of all costs in each year from 2023/24 onwards.	High	High
Every tree planted in the ground will count towards the 160,000 target, although we recognise that there are natural losses as part of the ecosystem response and on-going management will be required.	Low	High

Report Information Sheet

Please complete and submit to Democratic Services with draft report

Committee/Date	Cabinet – 10th March 2022
Title of report	Trees for our future

Consultations undertaken		
Consultee *required	**Date**	**Details of consultation /comments received**
Ward Member(s)	N/A	
Portfolio Holder WDC & SDC *	17/2/22	Cllr Alan Rhead
Financial Services *	15/2/22	Mike Snow. Comments on recommendation incorporated
Legal Services *	15/2/22	Phil Grafton. No comments.
Other Services	15/2/22	O&E (Julie Lewis). Views incorporated
Chief Executive(s)	15/2/22	Chris Elliott. Views incorporated
Head of Service(s)	15/2/22	O&E (Julie Lewis). Views incorporated
Section 151 Officer	15/2/22	Mike Snow. Comments on recommendation incorporated
Monitoring Officer	15/2/22	Phil Grafton. No comments. Advice on confidentiality taken on board
CMT (WDC)	15/2/22	Views incorporated
Leadership Co-ordination Group (WDC)	21/2/22	Views incorporated
Other organisations	N/A	

Final decision by this Committee or rec to another Ctte/Council?	Yes	Recommendation to :Cabinet …………………………….Committee
Contrary to Policy/Budget framework	No	No
Does this report contain exempt info/Confidential? If so, which paragraph(s)?	No	No
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?	Yes	Yes, this was identified in the business plan as a key project.
Accessibility Checked?		File/Info/Inspect Document/Check Accessibility

Agenda Item No 7
Cabinet
10th March 2022

Title: Community Infrastructure Levy (CIL) Projects List for 2022/23
Lead Officer: Philip Clarke 01926 456518
Portfolio Holder: Councillor Cooke
Wards of the District directly affected: All

Summary

This report summarises spending on CIL projects in 2021/22 and sets out the proposed CIL Projects list for 2022/23 as the basis for focusing the distribution of CIL receipts collected during the year.

Recommendation(s)

(1) That Cabinet notes the amount spent during 2021/22 on CIL Projects from the current CIL Projects List and the anticipated level of CIL Contributions to be received by the Council over the next five years as set out in the report.

(2) That Cabinet approves the CIL Projects List for 2022/23 set out in Appendix 1.

(3) That Cabinet approves the proposed distribution of CIL receipts in 2022/23 and, where stated, in 2023/24 as set out in para. 1.4.10 and table 5.

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1 Background/Information

1.1 In March 2021, the Council agreed the current list of projects (the CIL Projects List) that is to be funded from anticipated CIL receipts in 2021/22. This has formed the basis on which CIL contributions received have been distributed in the last year. In July 2021, Cabinet agreed that an additional project (Leamington station enhancements) would be added to the 2021/22 list.

1.2 Summary of CIL income and spending in 2021/22

1.2.1 The amount of CIL contribution which is available to the District Council to spend by the end of 2021/22 is as set out in table 1. It should be noted that as this report is being prepared before the end of the year, some of these figures are estimates at the present time.

Table 1: CIL contributions available to Warwick District Council in 2021/22		
		Amount
A	CIL income held by WDC and available for distribution to projects at 31/3/21	£3,914,139
B	CIL contributions received April 21 – Jan 22	£2,617,189
C	Estimate of further CIL income to March 22	£564,921 (*)

D	Anticipated total payments to parish and town councils for contributions in 21/22 (estimate)	£503,053
E	Net CIL income anticipated for 21/22 (B + C – D)	2,679,057
F	**Total available CIL as at 31/3/22 (A + E)**	**£6,593,196**
(*) This figure is taken from those schemes which are making phased payments however have already started on site. Other schemes will come forward, so this figure can be treated as a minimum.		

1.2.2 Table 2 below identifies all those CIL projects contained within the current CIL Projects List and indicates how much CIL income was allocated to each project in 2021/22,. (It should be noted that the CIL Projects List includes projects which may be delivered between 2021 and 2026 and not all of these require funding in 2021/22.)

Table 2: Current CIL Projects including spending during 2021/22

Infrastructure Project	**Total CIL contributions (21-26)**	**Agreed CIL spending in 21/22 (£)**
Bath Street Improvement Scheme	3,795,000	95,000
Emscote Road Multi Modal Corridor Improvements	1,492,000	126,043
Kenilworth Leisure (Phase 2): Castle Farm Recreation Centre	6,000,000	3,000,000
Medical facilities - N Leamington (Cubbington/Lillington)	2,740,000	840,000
Wayfinding in Warwick	35,000	35,000
Europa Way bridge link	1,000,000	Nil
St Mary's Land, Warwick	1,343,000	8,000
Newbold Comyn	3,254,430	425,000
Warwick Gates Community Centre	150,600	150,600
Europa way spine road cycleway/ footpath link	1,053,133	Nil
Relocation of athletics facility and creation of Commonwealth Park	1,800,000	Nil
Commonwealth Park bridge	250,000	Nil
Relocation of Kenilworth Wardens	2,500,000	Nil
Leamington station enhancements	500,000	500,000
PLUS CIL Administrative charge	365,000	£73,000
Total	**26,278,163**	**5,252,643**

1.2.3 In reading the above table, it should be noted that in some cases, not all the funds allocated for 2021/22 will have been spent by year end. Project sponsors are allowed to ask to carry-over spend from one year to the next and all have requested to do so. For the purposes of the remainder of this report, it will be assumed that all funding allocated to projects in 2021/22 has been spent.

1.2.4 Most importantly, it should be noted that given the CIL receipts currently held by the Council (plus those anticipated to be received by March 2022) as set out in table 1 above, there will be sufficient CIL income to meet all obligations for 2021/22 as set out in table 2.

1.3 **Projected CIL income in 2022/23 and to 2026/7**

1.3.1 To help the Council understand how much money it is likely to have available from CIL contributions to fund projects over the next five years, it is possible to estimate this using the latest Local Plan housing trajectory, published late last year. If the Housing Trajectory is achieved, CIL is predicted to deliver the following as set out in table 3. It should be remembered that a proportion of CIL receipts (15% or 25%) must be distributed to Town and Parish Councils to spend within their areas and therefore is not available to the District Council to allocate.

Table 3: Estimate of future CIL income to Warwick District Council

	Total (£)	If 15% passed to parish councils (£)	If 25% passed to parish councils (£)
2022/23	4,167,000	3,542,000	3,125,000
2022 - 2027	29,246,000	24,859,000	21,935,000

1.3.2 To this income should be added an estimated £1,340,553 of CIL income that has been collected but will remain unspent as at 31st March 2022 (taking account of all spending estimates in the 2021/22 CIL Projects List in table 2). Therefore, the amount of money available for projects within the CIL Projects List is predicted to be in the range of £4,465,553 to £4,882,553 for 2022/23 and £23,275,553 to £26,199,553 for the period 2022 to 2027.

1.3.3 It should be noted that the actual amount of CIL received is not easy to predict accurately. CIL is payable within 60 days of developments starting on site and so is entirely dependent upon the rate at which new development comes forward. Nevertheless, the above figures are the best estimate the Council can provide at the present time for likely future level of CIL income.

1.3.4 It should also be noted that Council's latest projections for CIL income show a marked difference to those predicted a year ago. CIL payments are triggered when a development commences on site and a number of factors, notably the the pandemic, have impacted upon this as development rates have slowed down. This will delay when the Council will receive CIL payments. For 2021/22, levels of actual CIL income received have matched those predicted a year ago very closely. However, looking ahead over the next two years (22/23 and 23/24) we are now projecting lower levels of income from that which we modelled last year. Last year, the Council predicted £5.492m of CIL income in 2022/23 (assuming 25% payment to parish councils). The prediction now, as shown in table 3, is for £3.125m. This pattern is also seen in 2023/24.

1.3.5 In understanding these figures, it should be noted, however, that whilst this relates to when the Council will receive CIL income, the overall amount the Council expects to receive will remain broadly the same. This is because it is based on the amount of development allocated for in the Local Plan. The rate at which the council is anticipating to receive CIL income is relevant, however, because it impacts on how we propose to distribute anticipated CIL income in

2022/23.

1.4 **Proposed distribution of projected CIL income in 2022/23**

1.4.1 In previous years, the Council has sought to update its CIL Projects List annually, and identify those projects to which it wishes to prioritise CIL spending in the next year, though a process whereby infrastructure providers are invited to bid to have their projects included in the CIL Projects List.

1.4.2 We have not followed this process this year. This is principally because when the 2021/22 CIL Projects List was agreed in March 2021, members agreed to also fund a number of projects over two years, both in 2021/22 and 2022/23. The reason for this was because some of the projects that were supported in 2021/22 entailed the awarding of contracts by the infrastructure provider which may run over more than a single year. The infrastructure provider needed the assurance of funding from the District Council over the lifetime of the project in order to be able to commit to letting the contract. This did not affect all projects on the CIL Projects List, only those in table 4 below. (Please note that this table has been updated following recent discussions with infrastructure providers and reflects their current estimates of spend requirement in 2022/23. (In the case of the Emscote Road corridor this is a lower figure than that contained in the March 2021 Executive report.))

Table 4: Projects included in the 2021 CIL Projects List for which funding was also agreed for 2022/23	
Infrastructure project	**Amount committed**
Emscote Road Multi Modal Corridor Improvements	318,400 (*)
Kenilworth Leisure (Phase 2): Castle Farm Recreation Centre	3,000,000
Medical facilities - N Leamington (Cubbington/ Lillington)	1,900,000
PLUS CIL Admin charge	73,000
Total	**5,291,400**
* As noted above, this is a revised figure based on recent discussions with the County Council. In March 2021, the County Council was anticipating spending £1,365,957 in 22/23 on this project.	

1.4.3 As can be seen from table 4 and para 1.3.2 above, the Council is anticipating to have **£4,465,553** of CIL contributions available to spend in 2022/23 (taking a more conservative assessment that 25% of CIL income will be passed to parish councils), against commitments to projects of £5,291,400 in 2022/23. There is therefore a notional shortfall of £825,847. Two comments can be made about this.

1.4.4 Firstly, all infrastructure providers are made aware from the outset that any "commitments" of CIL income from the Council are wholly reliant on the Council receiving CIL payments from developments. If a slowing of the rate of development means that payments slow down, then the Council is not required to make up the shortfall from other means. This is a risk that all projects that are seeking CIL funding must bear.

1.4.5 Secondly, as noted in para. 1.3.5 above, it can reasonably be expected that any "shortfall" in CIL income in any year against previous projections will be made up in time. The total amount of CIL contributions anticipated to be received by the Council over a number of years is based on the amount of development allocated in the Local Plan. Therefore, if the Council is unable to fund any previously committed CIL projects in any given year, it can reasonably be expected that it will be able to do so in future years. For this reason, there may be the opportunity to "slip" some CIL contributions from one year to the next with the expectation that these commitments can be met in due course.

1.4.6 With this in mind, the Council has revisited those funding commitments outlined in table 4, and spoken to the infrastructure providers in all cases. The following comments cqn be made in respect of each.

- Emscote road multi modal corridor: This project is being led by Warwickshire County Council. WCC has advised some slippage in this project, with implementation not likely to be completed until 2024/25. It has therefore asked to reprofile when it receives it's CIL funding between 2022/3 and 2024/5. It expects to spend £318,400 in 2022/23 on taking the scheme forward.
- Castle Farm Recreation Centre: This project is being led by Warwick District Council. The contract for this project has been let and the project team will require most of the 2022/23 CIL contribution during the year in order to make payments and avoid the Council incurring borrowing costs to complete the project. However, some of the project delivery will run over into 2023/24 and so it would not impact on the overall project if some of the £3m earmarked for this project was to be deferred until 2023/24.
- Medical facility – north Leamington: This project is being led by the South Warwickshire NHS Foundation Trust. The proposal is to deliver a health centre incorporating a new surgery for the current Cubbington road practice which has outgrown its current site. A site for this has been identified on Valley Road incorporating land next to the Catholic Church and also the WDC-owned Valley road car park. A planning application was submitted on this site, but subsequently withdrawn, and revised application has now been submitted. The Foundation Trust has secured a funding package to deliver this project however is relying on existing commitments of CIL funding as part of this. The Trust has confirmed, however, that due to the likely programme for delivering the health hub, and the availability of other funding streams, it would be able to still deliver the project with the CIL funding coming at the end of the project, including during 2023/24.
- CIL Administration charge: CIL charging authorities are entitled under regulations to take up to 5% of CIL income as an administrative charge. In order to implement and deliver CIL, the Council has had to employ a full-time CIL Administrative Officer and has had to invest time and resources changing its systems and procedures. Whilst it is not proposed that the Council takes its full 5%, an administrative charge of £365k (i.e. £73k per year) is considered reasonable. This has been built into the Council's Medium Term Financial Strategy.

1.4.7 Taking all the above into account, it follows that there is predicted to be sufficient CIL income available in 2022/23 to fund the Emscote Road corridor improvements, the Kenilworth Castle Farm Recreation Centre and £1m toward the Lillington Health hub. The Foundation Trust has confirmed that it could proceed without the remaining CIL funding during 2022/23 PROVIDED THAT the Council commits that this scheme will be prioritised for any remaining funding once these other schemes have been funded. This could be from any surplus funding available during 2022/23 or by prioritising the scheme for CIL funding in 2023/24.

1.4.8 The Council has always been keen to use CIL income to enable as many projects as possible to progress in a timely manner. Given that the Kenilworth Leisure Centre project will not require all the £3m previously allocated to it in 22/23 during that year, it is possible to divert some of this £3m to enable other projects to progress, with any final payments to the Leisure Centre project being made in 23/24. It is therefore recommended that £375k is made available from this £3m in 22/23 to support the Europa Way spine road cycleway / footpath link and the relocation of the athletics track, with the final payment to support the Leisure Centre made in 23/24.

1.4.9 The recommendation in the above paragraph would prevent a delay in delivering on these two projects which are becoming more vital given the pace of development in the area to the west of Europa Way and the need to invest a significant amount in the foreseeable future if the Edmondscote track is not relocated. The Europa way spine road cycleway/ footpath link (which is now retitled the Myton footpath/cycleway link) would require a further £900k in 23/24 in order to be completed. The relocation of the athletics track will require a further estimated £1.57m between 23/24 and 24/25 to be completed.

1.4.10 It is therefore recommended that table 5 below forms the basis for the allocation of CIL receipts in 2022/23 and, in the case of the Lillington Health Hub project and Kenilworth Leisure Centre, in 2023/24. Table 5 also identifies all of the other projects that are proposed to remain on the CIL Projects List for 2022/23. These are all on the current CIL Projects List and it is not proposed to add any new projects to the list at the present time. The only projects that will come off the list are those which have either now been completed or otherwise fully funded from CIL contributions in 2021/22. These schemes are (a) wayfinding in Warwick town centre, (b) Warwick Gates Community Centre and (c) Leamington station enhancements. The proposed new CIL Projects List for 2022/23 is also set out in **appendix 1**.

Table 5: Proposed revised CIL Projects List including distribution of CIL contributions in 2022/23 and partial distribution in 2023/24

Infrastructure project	**Total cost (22/3–26/7)**	**Proposed 22/23**	**Proposed 23/24 (*)**
Bath Street Improvement Scheme	3,700,000	Nil	
Emscote Road Multi Modal Corridor Improvements	1,592,000	318,400	
Kenilworth Leisure (Phase 2): Castle Farm Recreation Centre	3,000,000	2,625,000	375,000
Medical facilities - N Leamington (Cubbington/Lillington)	1,900,000	1,000,000	900,000
Europa Way bridge link	1,000,000	Nil	
St Mary's Land, Warwick	1,335,000	Nil	
Newbold Comyn	2,829,430	Nil	

Table 5: Proposed revised CIL Projects List including distribution of CIL contributions in 2022/23 and partial distribution in 2023/24			
Infrastructure project	**Total cost (22/3–26/7)**	**Proposed 22/23**	**Proposed 23/24 (*)**
Myton footpath/cycleway (previously the Europa way spine road cycleway/ footpath link)	1,055,000	150,000	
Relocation of athletics facility and creation of Commonwealth Park	1,800,000	225,000	
Commonwealth Park bridge	250,000	Nil	
Relocation of Kenilworth Wardens	2,500,000	Nil	
PLUS CIL Administrative charge	365,000	73,000	73,000
Total	**21,326,430**	**4,391,400**	**1,348,000**
* It should be noted that whilst funding is only being confirmed for the Lillington Health Hub and Kenilworth Leisure Centre at the present time, this does not mean that no further CIL funding will be available during 23/24 to support other projects, only that Cabinet is not being asked to commit to this at the present time.			

1.4.11 It is important to note that there is not anticipated to be any further CIL funding available in 2022/23 to support other projects. In all cases, projects leads have been advised of this. This will impact upon the delivery of projects, many of which are Council-led.

1.4.12 To summarise therefore, the Council is currently projecting and recommending the following:-

Minimum projected income to the Council from CIL between 2022 & 2027 (including any receipts carried forward from 2021/22)	£23,275,553
Total value of schemes on which this income can be spent (2022/27) (including an allowance for a CIL admin fee)	£21,326,430
Total CIL projected income to the Council from CIL during 2022/23 (including any receipts carried forward from 2020/21)	£4,465,553
Total requested spend during 2022/23 from those infrastructure projects on the proposed CIL Projects list.	£4,391,400

2 Alternative Options available to Cabinet

2.1 Cabinet could decide to prioritise the CIL spending in a different way to that set out in this report. This is not recommended. Whilst it would be perfectly possible to do this, the recommendation here is considered to be the one which best continues with the commitments made by Executive in March 2021, allowing all committed projects to progress as previously agreed by the Council.

3 Consultation and Member's comments

3.1 The portfolio holder and all project leads (both within the Council and outside) have been consulted throughout the process of preparing this report.

4 Implications of the proposal

4.1 Legal/Human Rights Implications

4.1.1 There are no legal or human rights issues raised by this report.

4.2 Financial

4.2.1 There are no direct budgetary implications associated with the recommendations. As noted in para. 1.4.6, £73,000 of the CIL Administration fee has been built into the Council's Medium Term Financial Strategy.

4.3 Council Plan

4.3.1 In respect of Warwick District Council Business Plan the following comments can be made.

- People - Health, Homes, Communities - Will help co-ordinate the timely provision of infrastructure such as community spaces, sports and medical facilities that are essential to enable the growth required in the Local Plan.
- Services - Green, Clean, Safe - Will help co-ordinate the timely provision of infrastructure such as new parks, play areas and open spaces that are essential to enable the growth required in the Local Plan. See also Environmental/Climate Change Implications below.
- Money- Infrastructure, Enterprise, Employment - Will help co-ordinate the timely provision of infrastructure that are essential to enable the growth required in the Local Plan.
- Services - Maintain or Improve Services - Focusing on our customers' needs; Continuously improve our processes

4.4 Environmental/Climate Change Implications

4.4.1 As part of the Council's ambitions for a Carbon Neutral District by 2030, the criteria against which CIL Projects are assessed includes how the project supports the Council's objectives as set out in its declared climate emergency. Where projects support transport improvements, this will be to ensure that priority is given to multi modal/active travel. Where projects support other infrastructure (e.g leisure facilities) this will seek to make these zero carbon or as close to this as possible.

4.5 Analysis of the effects on Equality

4.5.1 None. The relevant impact assessments will be carried out on projects funded through CIL contributions.

4.6 Data Protection

4.6.1 None.

4.7 Health and Wellbeing

4.7.1 The timely provision of infrastructure such as community spaces, sports and medical facilities that are essential to enable the growth required in the Local Plan is supported through CIL-funded projects.

5 Risk Assessment

5.1 The predicted CIL income is derived from the Local Plan Housing Trajectory.

There is a risk that housing will not come forward at the rate suggested in the trajectory. If this is to be the case, the actually amount of CIL received between 2022 and 2027 may be lower than predicted. For this reason, CIL income will need to be kept under review during the year and Projects Leads will be kept informed if there is a risk that income levels do not match those expected.

5.2 It should be made clear that if there is a shortfall in anticipated CIL income there is no requirement that the Council meets this through other means. When making offers of CIL to infrastructure providers, officers make it clear that any payment will only be made provided the income has been received. The risk that there may be a shortfall in CIL contribution is a risk for that project, not for the Council as part of its obligations to pay CIL contributions arising from this report

6 Conclusion/Reasons for the Recommendation

6.1 A summary of the current position in relation to CIL income and projects is set out in section 1.4 above.

6.2 For the reasons set out above, it is proposed that the distribution of CIL receipts in 2022/23 is as set out in table 5 above. There is only anticipated to be sufficient CIL income in 2022/23 to fund the further work on the Emscote Road Multi Modal Corridor Improvements and Kenilworth Leisure (Phase 2): Castle Farm Recreation Centre and to make a contribution to the costs of the Lillington Health Hub project. It is not anticipated that there will be sufficient receipts received in 2022/23 to also fund the full amount of this Lillington Health Hub project, however it is also proposed that Council commits that this scheme will be prioritised for funding once these other schemes have been funded. This could be from any surplus funding available during 2022/23 or by prioritising the scheme for CIL funding in 2023/24.

6.3 The report proposes a new CIL Projects list for 2022/23 as set out in table 5 and appendix 1.

Background papers:

None.

Report Information Sheet

Please complete and submit to Democratic Services with draft report

Committee/Date	Cabinet: 10th March 2022
Title of report	Community Infrastructure Levy (CIL) Projects List for 2022/23

Consultations undertaken		
Consultee *required	**Date**	**Details of consultation /comments received**
Ward Member(s)	N/A	
Portfolio Holder WDC & SDC *	9/2/22	
Financial Services *	9/2/22	
Legal Services *	9/2/22	
Other Services		
Chief Executive(s)	9/2/22	
Head of Service(s)	9/2/22	
Section 151 Officer	9/2/22	
Monitoring Officer	9/2/22	
CMT (WDC)	9/2/22	
Leadership Co-ordination Group (WDC)	21/2/22	
Other organisations		

Final decision by this Committee or rec to another Ctte/Council?		Final decision by Cabinet

Contrary to Policy/Budget framework		No
Does this report contain exempt info/Confidential? If so, which paragraph(s)?		No
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?		No/Yes, Forward Plan item – 1,262scheduled for March 2022
Accessibility Checked?		File/Info/Inspect Document/Check Accessibility

APPENDIX 1

Warwick District Council

Community Infrastructure Levy

CIL Projects List 2022/23

Infrastructure Project	**Project Description**
Bath Street Improvement Scheme	The Bath Street Improvement Scheme also known as the Bath Street Gyratory Scheme is a transport infrastructure proposal that delivers a host of much-needed highway and transport improvements in the Bath Street area of Leamington Spa. The proposed infrastructure is fundamental to alleviating the Bath Street area's known air quality issue, (which is an Air Quality Management Area (AQMA)); it provides better accessibility to Leamington Spa's railway station and Leamington South, for all modes of transport, and gives vitality to this area of Leamington.
Emscote Road Multi Modal Corridor Improvements	Multi modal improvements, including improved cycle infrastructure, improvements to Portobello Bridge, carriageway improvements and junction improvements to the following: St Johns/Coventry Road, Emscote Rd / Greville Road, Rugby Road/Warwick New Road & Princes Drive/ Warwick New Road.
Kenilworth Leisure (Phase 2): Castle Farm Recreation Centre	The Council is committed to improving leisure facilities in Kenilworth including the facilities at Castle Farm as part of phase II of its Leisure Development Programme.
Medical facilities - N Leamington (Cubbington/Lillington)	New GP surgery in north Leamington Spa (Cubbington/Lillington); / new health hub (incorporating primary medical care and community services) in north Leamington Spa (Cubbington/Lillington).
Europa Way Bridge Link	A new pedestrian and cycle route bridge across Europa Way. In addition to providing a gateway feature for Leamington, Warwick and the Tach Brook Country Park, the new bridge will provide improved and more sustainable link across Europa Way between the new residential developments on either side, the new Country Park and the proposed new Secondary School and Sixth Form at Oakley Wood Road.
St Mary's Land, Warwick	A range of measures to support the delivery of the St Mary's Land masterplan approved in 2017.

Infrastructure Project	**Project Description**
Newbold Comyn	Improvements to Newbold Comyn Park.
Myton footpath/cycleway link	A cycle/pedestrian path from the Stadium (Fusilier's Way) through to Myton Road.
Relocation of athletics facility and creation of Commonwealth Park	Relocation of the athletics facility from Edmondscote Road to new location by proposed Community Stadium. Edmondscote Road to be used as public open space (Commonwealth Park).
Commonwealth Park bridge	A new footpath/cycleway bridge connecting the north & south side of River Leam at Victoria Park.
Relocation of Kenilworth Wardens	To purchase land, enable site access and essential supporting site infrastructure thereby enabling Kenilworth Wardens Cricket Club to relocate from its current site.

Agenda Item No 8
Cabinet
10 March 2022

Title: Annual Review of Regulation of Investigatory Powers Act (RIPA) Policy
Lead Officer: Richard Barr
Portfolio Holder: Councillor Day
Wards of the District directly affected: None directly impacted

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Summary

The Regulation of Investigatory Powers Act 2000 (RIPA) provides the circumstances in which a local authority may use surveillance techniques to prevent and detect crime. Each local authority should have a policy in place, which sets out the circumstances in which these powers may be used and the procedure to be followed.

Recommendations

1 That Cabinet should review and then, if satisfied, approve the Council's Regulation of Investigatory Powers Policy.

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1 Background

1.1 The Investigatory Powers Commission (IPCO) is responsible for providing independent oversight of the use of investigatory powers by public bodies which are undertaken under the RIPA and is responsible for undertaking inspections to ensure compliance.

1.2 The Home Office's Code of Practice on Covert Surveillance and Property Interference provides guidance on the use by public authorities of Part II of the Regulation of Investigatory Powers Act ("the 2000 Act") to authorise covert surveillance that is likely to result in the obtaining of private information about a person. The Code provides guidance on when an application should be made for an authorisation under the 2000 Act and the procedures that must be followed before activity takes place. The Code also provides guidance on the handling of any information obtained by surveillance activity.

1.3 The Code also applies to the entry on, or interference with, property or with wireless telegraphy by public authorities.

1.4 The Code is issued pursuant to Section 71 of the 2000 Act and is intended for use primarily by the public authorities able to authorise activity under the 2000 Act, the Intelligence Services Act 1994 ("the 1994 Act") and Part III of the Police Act 1997 ("the 1997 Act").

1.5 The 2000 Act provides that all codes of practice issued under the Act are admissible as evidence in criminal and civil proceedings. Any court or tribunal considering such proceedings may take the provisions of the codes of practice into account.

1.6 Paragraph 4.47 of the Code states that: "Elected members of a local authority should review the authority's use of the 1997 Act and the 2000 Act and set the policy at least once a year. They should also consider internal reports on use of the 1997 Act and the 2000 Act on a regular basis to ensure that it is being used consistently with the local authority's policy and that the policy remains fit for purpose." Although RIPA has not been used by the Council for a number of years the Council has certain powers which may be applied should it be necessary.

1.7 The Council's RIPA Policy is set out as Appendix 1. The Policy also requires a sub-policy covering the use of social media and setting out the circumstances when a RIPA authorisation would be required. This is set out as Appendix 1.1.

1.8 The RIPA Policy has been updated since Members last saw it, a year ago. This followed an inspection during the year by the Investigatory Powers Commissioner of the Council's RIPA arrangements, including its RIPA Policy and its RIPA procedures. The report that followed concluded that "Your organisation appears to be in good hands through a knowledgeable RIPA Coordinator and a well-informed Senior Responsible Officer."

1.9 A small number of recommendations were identified, all of which have now been actioned. Most of these required slight updates to the RIPA Policy while one required relevant staff - including the Chief Executive as the RIPA Authorising Officer and the Deputy Chief Executive as the Senior Responsible Officer - receiving awareness training on a refresher basis.

1.10 The Commissioner's report is included as an appendix to this Cabinet report. Also set out as an appendix is an action plan in the form of a two-columnar table that summarises the recommendations arising from the inspection and confirms the actions that have been taken to address them.

2 Alternative Options available to Committee

2.1 The report is not based on 'project appraisal' so this section is not applicable.

3 Consultation and Members' comments

3.1 Include any comments received in response to the consultation on the report.

No comments received.

4 Implications of the proposal

4.1 Legal/Human Rights Implications

4.1.1 Include a summary of the legal or human rights implications of the proposal.

Not applicable.

4.2 Financial

4.2.1 Include a summary of the financial implications of the proposal.

Not applicable.

4.3 Council Plan

4.3.1 External Impacts

People - Health, Homes, Communities

Services - Green, Clean, Safe
Money- Infrastructure, Enterprise, Employment

Although there are no direct policy implications, compliance with regulatory frameworks is an essential part of corporate governance and the Policy Framework and Council policies will reflect this. The policy will help to ensure employees within the Council do not breach Article 8 of the Human Rights Act.

4.3.2 **Internal Impacts**

People - **Effective Staff**
Services - Maintain or Improve Services
Money - Firm Financial Footing over the Longer Term

Having an approved policy in place will help to ensure that staff comply with legislation when undertaking their duties. RIPA provides the Council with certain powers which could be useful in the prevention and detection of crime, therefore protecting the Council's financial resources.

4.4 **Environmental/Climate Change Implications**

4.4.1 None identified.

4.5 **Analysis of the effects on Equality**

4.5.1 An effective policy in this field will help the Council achieve its Equality objectives and obligations.

4.6 **Data Protection**

4.6.1 An effective policy in this field will help the Council achieve its data protection objectives and obligations.

4.7 **Health and Wellbeing**

4.7.1 An effective policy framework can help the Council achieve its health and wellbeing objectives and obligations.

5 Risk Assessment

5.1 Clearly there are governance-related risks associated with weak regulatory compliance, but the policy will help to mitigate/address these.

6 Conclusion/Reasons for the Recommendation

6.1 The report sets out the Council's Regulation of Investigatory Powers Act (RIPA) Policy.

6.2 The Home Office's Code of Practice on Covert Surveillance and Property Interference provides guidance on the use by public authorities of Part II of the Regulation of Investigatory Powers Act ("the 2000 Act") to authorise covert surveillance that is likely to result in the obtaining of private information about a person. Paragraph 4.47 of the Code states that: "Elected members of a local authority should review the authority's use of the 1997 Act and the 2000 Act and set the policy at least once a year." (The "2000 Act" authorises covert surveillance that is likely to result in the obtaining of private information about a person.)

Background papers:

Please provide a list of any papers which you have referred to in compiling this report and are not published documents. This is a legal requirement.

You must also supply these when submitting the report.

All Papers referred to in this report are published documents.

Supporting documents:

Home Office's Code of Practice on Covert Surveillance and Property Interference.

Report Information Sheet

Committee/Date	Cabinet – 10 March 2022
Title of report	Annual Review of Regulation of Investigatory Powers Act (RIPA) Policy

Consultations undertaken		
Consultee *required	**Date**	**Details of consultation /comments received**
Ward Member(s)		
WDC Portfolio Holder	28/01/22	
Financial Services	27/01/22	
Legal Services		
Other Services		
Chief Executive	27/01/22	
Head of Service	27/01/22	
Section 151 Officer	27/01/22	
Monitoring Officer		
CMT (WDC)	27/02/22	
Leadership Co-ordination Group (WDC)	27/01/22	
Other organisations		

Final decision by this Committee or rec to another Cttee/Council?		The former.
Contrary to Policy/Budget framework		No
Does this report contain exempt info/Confidential? If so, which paragraph(s)?		No
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?		No
Accessibility Checked?		File/Info/Inspect Document/Check Accessibility

Appendix 1

Warwick District Council Regulation of Investigatory Powers Act 2000 (RIPA) Policy

1 Introduction

1.1 In carrying out its statutory duties and as part of the Council's responsibilities to protect the public purse, there may be occasion when surveillance or the gathering of information of a covert nature by individual officers may be required. In exercising this function, the Council must ensure that any action is not unlawful under the Human Rights Act 1998 and therefore must meet the requirements of the Regulation of Investigatory Powers Act 2000 (RIPA) and The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010.

1.2 The Investigatory Powers Commission (IPCO) is now responsible for the oversight of RIPA and undertake regular inspections to ensure compliance with legislation.

1.3 The main purpose of RIPA is to ensure that the relevant investigatory powers are used in accordance with Human Rights and covers both surveillance of members of the public and members of staff.

1.4 Article 8 of the European Convention on Human Rights states:

> *Article 8.1: Everyone has the right to respect for his private and family life, his home, and his correspondence. Article 8.2: There shall be no interference by a public authority with the exercise of this right except such as in accordance with the law and is necessary in a democratic society in the interests of national security, public safety, or the economic wellbeing of the country, for the prevention of disorder or crime, for the protection of health or morals, or for the protection of rights and freedom of others.*

1.5 This means that in certain circumstances the Council may interfere with a person's rights outlined in Article 8.1 and 8.2 provided the interference is:

- in accordance with the law
- necessary, and
- proportionate

and in order to ensure that the Council does not act unlawfully in carrying out these duties, the requirements under RIPA must be adhered to. The Council must have procedures in place to ensure that any surveillance undertaken is necessary, proportionate and correctly authorised. Surveillance should only be undertaken where there is no reasonable alternative mechanism for obtaining information and the alleged offences carry a minimum sentence of six months' imprisonment or is a statutory exception relating to the underage sale of alcohol or tobacco under sections 146, 147 or 147A of the Licensing Act 2003.

1.6 This policy is applicable to all employees and agents working for the Council and should be read in conjunction with the Regulation of

Investigatory Powers Act 2000 and the Home Office Covert Surveillance and property Interference revised code of practice 2018.

1.7 Although routine patrols, observation at trouble "hotspots", immediate responses to events and overt use of CCTV are excluded from this policy, the Council can still use these techniques as a means to stop offending behaviour.

2 Warwick District Council Procedures

2.1 Training Officers who are required to undertake surveillance in the course of their duties, and officers with delegated powers to authorise such requests, will be required to attend relevant training on a tri-annual basis to ensure that all surveillance requests comply with RIPA requirements and codes of practice. Officers who have not had relevant training should not request or authorise requests for surveillance.

2.2 The RIPA Monitoring Officer will be responsible for arranging training and keeping a log of those who have attended. Anyone who needs to undertake either of these duties but who has not had training should contact the RIPA Monitoring Officer in the first instance to make the necessary arrangements. All investigating officers and those officers who have been allocated specific roles in accordance with RIPA should be fully conversant with the RIPA codes of practice which are can be found at https://www.gov.uk/government/collections/ripa-codes.

2.3 The Council has an Enforcement Group comprising officers involved in enforcement or investigative activities. The Group meets at least quarterly and is used as a channel of communication regarding RIPA matters.

3 Surveillance

3.1 Officers of this Council are not permitted to undertake intrusive surveillance.

3.2 *Social Media and Internet Surveillance*

3.2.1 Obtaining information via the internet or a social media platform, may be undertaken in order to view or gather information to assist in preventing or detecting crime or other statutory functions and does not necessarily require a RIPA authorisation. However, there are occasions when authorisation is required and is therefore covered by this policy. Further advice and guidance on the use of social media is attached as an appendix to this policy.

3.3 *Covert surveillance*

3.3.1 Any officer intending to carry out covert surveillance in the course of their duties will explore and consider all alternative methods available in order to obtain the required information before making a request for the authorisation of surveillance. If surveillance appears to be the only option, then this should be discussed with the line manager. The investigating officer will need to provide sufficient information to enable the line manager to consider whether the level of intrusion caused by using surveillance is proportionate when considering both the crime that it is believed to have been committed and the likely consequences of that crime, and also the effect that the intrusion may have on other affected parties who are not the subject of the investigation. The officer will be required to complete an application to submit for authorisation. All applications for covert surveillance will be made using the recommended OSC forms.

4 Necessity and Proportionality

4.1 Consideration must be given as to whether information can be obtained using another source other than covert surveillance and if it can, what would be the effect of obtaining it using other means. If the information can be obtained using other means, then covert surveillance should not be used.

4.2 Consideration must also be given as to whether the expected outcome is proportionate to the level of intrusion that covert surveillance may cause. This includes any collateral intrusion, that is the risk of intrusion into the privacy of persons other than the individual being investigated. The investigating officer must set out how they intend to minimise this, surveillance will not be proportionate if it is excessive in the circumstances of the case, or could reasonably be obtained using less intrusive methods.

4.3 Necessity and proportionality should be considered at each stage of the process, once an application is made a quality check will be undertaken by the RIPA Monitoring Officer, this will help to ensure that this has been considered carefully. The authorising officer is also required to consider necessity and proportionality as part of the authorisation process.

4.4 In order to protect the health and safety of both the investigating officer and the subject of the surveillance, a risk assessment should be carried out identifying the risks to both individuals.

4.5 Use of a Covert Human Intelligence Source

4.5.1 It is understood that there may be occasion when an officer would deem it necessary to use a CHIS in order to obtain information relevant to their investigation. Using a CHIS requires officers to receive specific training and certain roles would need to be undertaken other than those required for surveillance purposes. Although this training could be provided, in the event of officers not exercising these duties regularly it is doubtful that compliance with the law could guaranteed should a CHIS be used. Therefore, any investigations which require the use of a CHIS will only be undertaken after seeking advice and guidance from the Council’s legal advisors.

5 Authorisations

5.1 Once completed, the application form should be passed to the RIPA Monitoring Officer for quality checking. The Monitoring Officer will consider whether necessity, proportionality and collateral inclusion has been considered and offer further advice if necessary.

5.2 Following a satisfactory quality review of the application, it will be passed to the authorisation officer for approval. The authorisation officer must record the matters that were taken into account in reaching their decision.

5.3 Wherever possible authorisations, other than those which involve the use of a CHIS or where confidential information may be obtained, should be passed to the Chief Executive. In exceptional circumstances authorisation can be sought from the Deputy Chief Executive.

5.4 Confidential Information. If there is a risk that through the use of surveillance, confidential information may be acquired then the authorisation should only be considered by the Deputy Chief Executive in the absence of the Chief Executive. Confidential information consists of matters subject to legal privilege, confidential personal information or confidential journalistic information and authorisation in these cases should only be granted in exceptional and compelling circumstances.

5.5 Approval by Justice of the Peace (JP). All authorisations and renewals are subject to approval by a JP before they can take effect or continue after the end date. Once authorised the applicant should contact the Monitoring Officer so that arrangements for a court hearing can be made. For further guidance please refer to: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118173/local-authority-england-wales.pdf

5.6 The applicant should attend the hearing to answer any questions the Judge may have in respect of the investigation together with the RIPA Monitoring Officer who is best placed to answer questions on the policy and practise of conducting covert investigations.

5.7 Authorisation for the use of a CHIS must be given for the maximum duration from the date approved by the JP/Magistrate but reviewed on a regular basis and formally cancelled when no longer needed. Authorisations should not be allowed to simply expire – they must be cancelled when the surveillance is no longer proportionate or necessary. Therefore, a directed surveillance authorisation will cease to have effect after three months from the date of approval by the Magistrate unless renewed or cancelled. The durations of authorisation for each type of surveillance are detailed below:

- Directed Surveillance - 3 Months
- Covert Human Intelligence Source - 12 Months
- Juvenile Sources - 4 Months

It is the responsibility of the Investigating Officer to make sure that the authorisation is still valid when they undertake surveillance.

5.8 An authorisation must be cancelled if it is believed that the surveillance no longer meets the criteria upon which it was authorised or that arrangements for the CHIS's case no longer satisfy the requirements described in section 29 of the 2000 Act. A 'Cancellation of a Directed Surveillance' authorisation form should be used for this purpose. Where necessary and practicable, the safety and welfare of the CHIS should continue to be considered after the authorisation has been cancelled, and risk assessments maintained. The authorising officer should satisfy themselves that all welfare matters are addressed and should make appropriate comment in their written commentary. The Monitoring Officer will be responsible for checking that the correct process and timescales have been adhered to by the individual officers.

5.9 Copies of all surveillance forms including refusals should be passed to the Monitoring Officer as soon as they are completed. The Monitoring Officer will be responsible for maintaining the central register for requests and ensuring that the correct timescales are maintained.

5.10 All authorisations must be reviewed on a regular basis by the authorising officer to assess the continuing need for surveillance and these review periods should be set at the outset. More frequent reviews will be necessary where the surveillance activities involve a high level of intrusion into private life.

5.11 Individuals will be responsible for ensuring that their own applications for surveillance are reviewed and monitored in accordance with the intervals prescribed by legislation and forward copies of the relevant forms to the Monitoring Officer. An authorisation will last no longer than 3 months unless an application for a renewal has been made before the end of the 3 months has elapsed, the renewal must be approved by the authorising officer.

5.12 A review will be necessary where the level of intrusion increases above what was originally stated or the circumstances change from those stated in the original request and the authorising officer must reconsider the test of proportionality.

5.13 If the original authorisation provided for surveillance of an unidentified individual and the identity of the individual becomes known during the operation, an immediate review will be required to update the authorisation with the details. This will not require completion of a new authorisation.

6 Surveillance not requiring authorisation

6.1 The following activities do not require authorisation:

a. Surveillance due to an immediate response to an event or in the circumstances it is not reasonably practicable to obtain authorisation and therefore is not directed surveillance.
b. General observation activities whether covert or overt. Such observations frequently form part of the legislative function of public authorities; for example, attending premises to check that no smoking legislation was being adhered to would not need authorisation because this would be part of the general duties of public authorities.
c. The use of CCTV cameras except when used in a covert and pre-planned manner and in this instance please refer to the CCTV protocol for further guidance.
d. The use of a recording device by a covert human intelligence source in respect of whom appropriate use or conduct authorisation has been granted.

e. Overt or covert recording of an interview with a member of the public where it is made clear that the interview is voluntary and the interviewer is a member of a public authority.
f. The recording of excessive noise levels from adjoining premises where the recording device is calibrated only to record excessive noise levels.

7 Interception of Communications

7.1 Interception of communications can only be undertaken by an officer of the Council in the following circumstances:

- In the course of normal business practice. Employees' emails, telephone conversations and internet access can be monitored without RIPA authorisation for the purposes of prevention or detection of crime or the detection of unauthorised use of these systems.
- Interception with the consent of both parties If both parties consent then RIPA authorisation is not required but any such interception should be recorded in an appropriate manner.
- Interception with the consent of one party Such interception will require RIPA authorisation because it falls within the definition of surveillance, however if the interception forms part of a previously authorised request, additional authorisation is not required.
- Interception of communications where neither party is aware that this is taking place is prohibited unless a Warrant has been granted by the Secretary of State.

8 Safeguarding and the Use of Surveillance Material

8.1 This section provides guidance on the procedures and safeguards to be applied in relation to the handling of any material obtained through directed surveillance or CHIS activity. This material may include private, confidential, or legally privileged information.

8.2 Authorised Purpose

8.2.1 Dissemination, copying and retention of material must be limited to the minimum necessary for authorised purposes (for CHIS activity, this is 5 years and for surveillance activity, this is 3 years). For the purposes of the Code this is defined as follows:

- It is, or is likely to become, necessary for any of the statutory purposes set out in the RIPA in relation to covert surveillance or CHIS activity;
- it is necessary for facilitating the carrying out of the functions of public authorities under RIPA;
- it is necessary for facilitating the carrying out of any functions of the Commissioner or the Investigatory Powers Tribunal;
- it is necessary for the purposes of legal proceedings; or
- it is necessary for the performance of the functions of any person by or under any enactment.

8.3 Use of Material as Evidence

8.3.1 Material obtained through directed surveillance, may be used as evidence in criminal proceedings. The admissibility of evidence is governed primarily by the common law, the Criminal Procedure and Investigations Act 1996 (CPIA), the Civil Procedure Rules, section 78 of the Police and Criminal Evidence Act 1984 and the Human Rights Act 1998.

8.3.2 Ensuring the continuity and integrity of evidence is critical to every prosecution. Accordingly, considerations as to evidential integrity are an important part of the disclosure regime under the CPIA and these considerations will apply to any material acquired through covert surveillance that is used in evidence. When information obtained under a covert surveillance authorisation is used evidentially, the Council must be able to demonstrate how the evidence has been obtained, to the extent required by the relevant rules of evidence and disclosure.

8.3.3 Where the product of surveillance could be relevant to pending or future criminal or civil proceedings, it should be retained in accordance with established disclosure requirements. In a criminal case the codes issued under CPIA will apply. They require that the investigator record and retain all relevant material obtained in an investigation and later disclose relevant material to the prosecuting solicitor. They in turn will decide what is disclosed to the defence solicitor.

8.3.4 There is nothing in RIPA which prevents material obtained under directed or intrusive surveillance authorisations from being used to further other investigations.

8.4 Handling and Retention of Material

8.4.1 All material associated and obtained with an application will be subject to the provisions of all data protection legislation and regulations and CPIA Codes of Practice and to any Council Policies with regard to data retention and security. All Officers involved within this process should make themselves aware of the provisions within this legislation and how it impacts on the RIPA process. Material obtained together with relevant associated paperwork should be held securely. Extra care needs to be taken if the application and material relates to a CHIS.

8.4.2 Material required to be retained under CPIA should be retained until a decision is taken whether to institute proceedings against a person for an offence or if proceedings have been instituted, at least until the accused is acquitted or convicted or the prosecutor decides not to proceed with the case

8.4.3 Where the accused is convicted, all material which may be relevant must be retained at least until the convicted person is released from custody, or six months from the date of conviction, in all other cases.

8.4.4 If the court imposes a custodial sentence and the convicted person is released from custody earlier than six months from the date of conviction, all material which may be relevant must be retained at least until six months from the date of conviction.

8.4.5 If an appeal against conviction is in progress when the convicted person is released, or at the end of the period of six months, all material which may be relevant must be retained until the appeal is determined.

8.4.6 Retention beyond these periods must be justified under data protection legislation and regulations. AOs, through the Council's Data Controller, must ensure compliance with the appropriate Data Protection requirements and any relevant internal arrangements produced by the Council relating to the handling and storage of material.

8.5 **Dissemination of Information**

8.5.1 It may be necessary to disseminate material acquired through the RIPA covert activity within the Council or with other Councils or agencies, including the Police. The number of persons to whom any of the information is disclosed, and the extent of disclosure, should be limited to the minimum necessary. It must also be in connection with an authorised purpose as set out above. It will be necessary to consider exactly what and how much information should be disclosed. Only so much of the material may be disclosed as the recipient needs; for example, if a summary of the material will suffice, no more than that should be disclosed.

8.5.2 The obligations apply not just to the Council as the original authority acquiring the information, but also to anyone to whom the material is subsequently disclosed. In some cases, this will be achieved by requiring the latter to obtain permission from the Council before disclosing the material further. It is important that the Officer in Charge (OIC) of the enquiry considers these implications at the point of dissemination to ensure that safeguards are applied to the data.

8.5.3 A record will be maintained justifying any dissemination of material. If in doubt, seek legal advice.

8.6 **Storage**

8.6.1 Material obtained through covert surveillance, and all copies, extracts and summaries of it, must be handled and stored securely, so as to minimise the risk of loss. It must be held so as to be inaccessible to persons who are not required to see the material (where applicable). This requirement applies to all those who are responsible for the handling of the material. It will be necessary to ensure that an appropriate security clearance regime is in place to safeguard the material whether held electronically or physically.

8.7 **Copying**

8.7.1 Material obtained through covert surveillance may only be copied to the extent necessary for the authorised purposes set out above. Copies include not only direct copies of the whole of the material, but also extracts and summaries which identify themselves as the product of covert surveillance, and any record which refers to the covert surveillance and the identities of the persons to whom the material relates.

8.7.2 In the course of an investigation, the Council must not act on or further disseminate legally privileged items unless it has first informed the IPC that the items have been obtained.

8.8 **Destruction**

8.8.1 Information obtained through covert surveillance, and all copies, extracts and summaries which contain such material, should be scheduled for deletion or destruction, and securely destroyed as soon as they are no longer needed for the authorised purpose(s) set out above. If such information is retained, it should be reviewed at appropriate intervals to confirm that the justification for its retention is still valid. In this context, destroying material means taking such steps as might be necessary to make access to the data impossible.

9 **Errors**

9.1 Proper application of the surveillance provisions in the RIPA codes and this Policy should reduce the scope for making errors.

9.2 **Relevant Error**

9.2.1 An error must be reported if it is a "relevant error". A relevant error is any error by the Council in complying with any requirements that are imposed on it by any enactment which are subject to review by a Judicial Commissioner. This would include compliance by public authorities with Part II of RIPA.

9.2.2 Examples of relevant errors occurring would include circumstances where:

- Surveillance activity has taken place without lawful authorisation.
- There has been a failure to adhere to the safeguards set out in the relevant statutory provisions and Chapter 9 of the Surveillance Codes of Practice relating to the safeguards of the material.

9.2.3 Errors can have very significant consequences on an affected individual's rights. All relevant errors made by the Council must be reported to the Investigatory Powers Commissioner as soon as reasonably practicable, and a full report no later than ten working days after the error is discovered. The report should include information on the cause of the error; the amount of surveillance conducted, and material obtained or disclosed; any unintended collateral intrusion; any analysis or action taken; whether any material has been retained or destroyed; and a summary of the steps taken to prevent recurrence.

9.3 **Serious Errors**

9.3.1 The Investigatory Powers Commissioner must inform a person of any relevant error relating to that person if the Commissioner considers that the error is a serious error and that it is in the public interest for the person concerned to be informed of the error. The Commissioner may not decide that an error is a serious error unless they consider that the error has caused significant prejudice or harm to the person concerned. The fact that there has been a breach of a person's convention rights (within the meaning of the HRA) is not sufficient by itself for an error to be a serious error.

9.3.2 It is important that all staff involved in the RIPA process report any issues, so they can be assessed as to whether it constitutes an error which requires reporting.

10 Responsibilities

Senior Responsible Officer – Andrew Jones, Deputy Chief Executive

Authorising Officers – Christopher Elliott, Chief Executive and Andrew Jones, Deputy Chief Executive (the latter by exception only).

RIPA Monitoring Officer – Richard Barr, Audit and Risk Manager

11 Definitions

Authorising Officer: A person who is responsible for providing authorisation to an officer to undertake either directed surveillance or the use of a covert human intelligence source in accordance with Section 30 of the Regulation of Investigatory Powers Act 2000 and the Regulation of Investigatory Powers (Prescription of Offices, ranks and Positions) Order 2000 SI No 2417. The relevant officers being the Chief Executive and the Deputy Chief Executive as set out in the scheme of delegation.

Confidential Personal Information Section 99(1) of the 1997 Act: Personal Information which a person has acquired or created during any trade, business, profession, or other occupation, and which he holds in confidence; and communications as a result of which personal information is acquired or created and held in confidence.

Personal Information Section 99(2) of the 1997 Act: Information concerning an individual (living or dead) who can be identified from it and relating to his physical or mental health or to spiritual counselling or assistance given or be given to him.

Surveillance Section 48(2) of RIPA: • Monitoring, observing, listening to persons, their movements, conversations, other activities or communications • Recording anything monitored, observed or listened to in the course of surveillance • Surveillance, by or with, assistance of a surveillance device.

Overt Surveillance: General observations usually made by staff whilst carrying out their duties, includes surveillance where the subject of the surveillance has been notified that such surveillance will be taking place. Overt surveillance does not require authorisation under RIPA.

Covert Surveillance: Section 26(9)(a) of RIPA: If, and only if, carried out in a manner calculated to ensure that persons subject to the surveillance are unaware that it is taking place.

Directed Surveillance: Section 26(2) of RIPA: Covert but not intrusive, and undertaken • For a specific investigation or operation • In a manner likely to obtain private information about an individual (whether or not that person is specifically targeted for the purposes of an investigation); and • Not as an immediate response to events which would otherwise make seeking authorisation under the Act unreasonable, e.g. spotting something suspicious and continuing to observe it.

Intrusive Section 26(3) of RIPA: Only if covert and • Carried out in relation to anything taking place on residential premises or in a private vehicle; and • Involves the presence on an individual on the premises or vehicle or is carried out by a surveillance device. Officers from the Council are prohibited from undertaking intrusive surveillance.

Private Information Section 26(10) of RIPA: In relation to a person, includes any information relating to his private or family life.

Covert Human Intelligence Source (CHIS) Section 26(8)(a)-(c) of RIPA: A person who establishes or maintains a personal or other relationship with a person for the covert purpose of facilitating the doing of anything that • Covertly uses such a relationship to obtain information or to provide access to information to another person; or • Covertly discloses information obtained by the use of such a relationship, or as a consequence of the existence of such a relationship.

Conduct and use of a CHIS Section 26(7)(a)(b) of RIPA: • Conduct Establishing or maintaining a personal or other relationship with a person for the covert purpose of (or is incidental to) obtaining and passing on information i.e. the task in hand • Use Actions inducing, asking or assisting a person to act as a CHIS i.e. setting up the CHIS.

12 Complaints

12.1 The Investigatory Powers Tribunal (IPT) has jurisdiction to investigate and determine complaints against the Council's use of investigatory powers, including those covered by this code. Any complaints about the use of powers as described in this code should be directed to the IPT.

12.2 Complaints should be addressed to: The Investigatory Powers Tribunal, PO Box 33220, London, SWIH 9ZQ.

Appendix 1.1

The Regulation of Investigatory Powers 2000 and the use of social media and internet

1 Introduction

1.1 Guidance on the use of social media is provided in the Covert Surveillance and Property Interference revised code of practise 2018:

> *The growth of the internet, and the extent of the information that is now available online, presents new opportunities for public authorities to view or gather information which may assist them in preventing or detecting crime or carrying out other statutory functions, as well as in understanding and engaging with the public they serve. It is important that public authorities are able to make full and lawful use of this information for their statutory purposes. Much of it can be accessed without the need for RIPA authorisation; use of the internet prior to an investigation should not normally engage privacy considerations. But if the study of an individual's online presence becomes persistent, or where material obtained from any check is to be extracted and recorded and may engage privacy considerations, RIPA authorisations may need to be considered.*

1.2 The internet may be used for intelligence gathering and/or as a surveillance tool. Where online monitoring or investigation is conducted covertly for the purpose of a specific investigation or operation and is likely to result in the obtaining of private information about a person or group, an authorisation for directed surveillance should be considered, as set out elsewhere in this code. Where a person acting on behalf of a public authority is intending to engage with others online without disclosing his or her identity, a CHIS authorisation may be needed

1.3 In deciding whether online surveillance should be regarded as covert, consideration should be given to the likelihood of the subject(s) knowing that the surveillance is or may be taking place. Use of the internet itself may be considered as adopting a surveillance technique calculated to ensure that the subject is unaware of it, even if no further steps are taken to conceal the activity. Conversely, where reasonable steps have been taken to inform the public or particular individuals that the surveillance is or may be taking place, the activity may be regarded as overt and a directed surveillance authorisation will not normally be available.

1.4 Depending on the nature of the online platform, there may be a reduced expectation of privacy where information relating to a person or group of people is made openly available within the public domain, however in some circumstances privacy implications still apply. This is because the intention when making such information available was not for it to be used for a covert purpose such as investigative activity. This is regardless of whether a user of a website or social media platform has sought to protect such information by restricting its access by activating privacy settings.

1.5 Where information about an individual is placed on a publicly accessible database, for example the telephone directory or Companies House, which is commonly used and known to be accessible to all, they are unlikely to have any reasonable expectation of privacy over the monitoring by public authorities of that information. Individuals who post information on social media networks and other websites whose purpose is to communicate messages to a wide audience are also less likely to hold a reasonable expectation of privacy in relation to that information.

1.6 Whether a public authority interferes with a person's private life includes a consideration of the nature of the public authority's activity in relation to that information. Simple reconnaissance of such sites (i.e. preliminary examination with a view to establishing whether the site or its contents are of interest) is unlikely to interfere with a person's reasonably held expectation of privacy and therefore is not likely to require a directed surveillance authorisation. But where a public authority is systematically collecting and recording information about a particular person or group, a directed surveillance authorisation should be considered. These considerations apply regardless of when the information was shared online".

2 Using social media

2.1 Officers should not use their own private social networking account to view the accounts of others during the course of their duties.

2.2 One-off or infrequent visits to an individual's social media profile over a period of time will not be considered directed surveillance and will not therefore normally require a RIPA authorisation provided the visit is not prolonged and is not used to gather large quantities of data about an individual, such as trying to establish their movements for a period of time.

2.3 Where it is considered frequent visits to an individual's social media profile may be required, officers should ensure that they follow the RIPA policy to obtain the necessary authorisation.

2.4 Officers should maintain a log of visits to the social media profile accessed with the case notes of the investigation so that this can be monitored.

2.5 Any information obtained from social media profiles should be copied and or a screen shot taken and held with the case notes, ensuring that the information is held securely and complies with the data protection and retention policy appropriate to the service.

IPCO
Investigatory Powers
Commissioner's Office

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SW1V 1ZU

Mr Chris Elliott
Chief Executive
Warwick District Council
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Leamington Spa
CV32 5HZ

Chris.Elliott@warwickdc.gov.uk

2 September 2021

Dear Mr Elliott,

Inspection of Warwick District Council

Please be aware that IPCO is not a "public authority" for the purpose of the Freedom of Information Act (FOIA) and therefore falls outside the reach of the FOIA. It is appreciated that local authorities are subject to the FOIA and that they may receive requests for disclosure of our reports. In the first instance the SRO should bring the matter to the attention of the IPCO Data Protection Officer (at: info@ipco.org.uk), before making any disclosure. This is also the case if you wish to make the content of this letter publicly available.

Your Council was recently the subject of a virtual inspection by one of my Inspectors, Mr Paul Gration. I am grateful to Mr Richard Barr, your Audit and Risk Manager and RIPA Coordinator, for organising the inspection and providing the required documentation, and to Mr Andrew Jones, Deputy Chief Executive and RIPA Senior Responsible Officer for leading on the discussion.

As a result of the inspection Mr Gration has made a small number of recommendations which are detailed below, and I would be grateful if they could be addressed at the earliest opportunity:

Covert Surveillance Policy

Mr Gration was impressed with your RIPA policy; it is clearly written, easy to follow and covers all the relevant points in sufficient depth without being unnecessarily wordy. There are some amendments and additions required to keep the policy relevant and up to date. Paragraph 5.3 details incorrectly the level of authorisation for applications likely to acquire confidential information, and should be amended to refer such applications to yourself as the Chief Executive. The variation in the authorisation period for a Juvenile CHIS should also be highlighted. While there is a specific Data Management policy in place for the organisation, this subject is not covered in the RIPA policy. The management of any surveillance product should be included, with clear reference to the safeguarding measures outlined in the Home Office Codes of Practice for Covert Surveillance and CHIS.

Training and awareness

I note you have not conducted any training for at least 18 months, which, although not ideal, is understandable taking into account the ongoing pandemic. I do understand that training budgets are somewhat limited and bearing in mind Warwick District Council has not conducted any RIPA activity in recent times, RIPA training could easily slip down the list of priorities. That said, many RIPA errors occur because of the lack of knowledge and therefore some method of raising awareness across the organisation should be implemented. I note that you are considering the use of 'Meta Compliance' technology to ensure relevant staff increase their understanding of the legislation, which seems a good start.

In conclusion, although your Council is a limited user of its surveillance powers, I take the opportunity here to reiterate to you the importance of regular, ongoing internal oversight of the actual or potential use of these powers. Your organisation appears to be in good hands through a knowledgeable RIPA Coordinator and a well-informed Senior Responsible Officer.

I note the ongoing consultation relating to the proposed merger with Stratford District Council which has a target date of April 2024 and I would appreciate being kept informed of any developments.

I hope that you find this letter to be helpful and constructive. My Office is available to you should you have any queries following the recent inspection, or at any point in the future. Contact details are provided at the foot of this letter.

I shall be grateful if you would acknowledge receipt of the report within two months.

Yours sincerely,

Brian Leveson

The Rt. Hon. Sir Brian Leveson
The Investigatory Powers Commissioner

Appendix 3

WDC RIPA Inspection 2021: Action Plan

Comments/Recommendations	Current Position
Covert Surveillance Policy	
The Inspector recorded that he was "impressed with the Council's RIPA policy", noting that it was "clearly written, easy to follow and covers all the relevant points in sufficient depth without being unnecessarily wordy."	No action necessary in terms of general depth and breadth.
The Inspector noted that "Paragraph 5.3 details incorrectly the level of authorisation for applications likely to acquire confidential information" and recommended that it "should be amended to refer such applications to the Chief Executive."	Addressed. Paragraph 5.3 of RIPA Policy amended.
The Inspector recommended that "The variation in the authorisation period for a Juvenile CHIS should also be highlighted."	Addressed. Variation highlighted in RIPA Policy.
The Inspector noted that "While there is a specific Data Management policy in place for the organisation, this subject is not covered in the RIPA policy." The Inspector went on to recommend "The management of any surveillance product should be included, with clear reference to the safeguarding measures outlined in the Home Office Codes of Practice for Covert Surveillance and CHIS."	Addressed. Now included in RIPA Policy.
Training and awareness	
The Inspector noted that "training had not been conducted for at least 18 months which, although not ideal, is understandable taking into account the ongoing pandemic." He commented that "Although training budgets are somewhat limited and Warwick District Council has not conducted any RIPA activity in recent times, RIPA training could easily slip down the list of priorities." The Inspector went on to note that "Many RIPA errors occur because of the lack of knowledge" and recommended that "some method of raising awareness across the organisation should be implemented."	A half-day RIPA awareness training session was run for all affected staff (approx. 25 WDC employees, including the Chief Executive and Deputy Chief Executive) in January 2022.

The Inspector concluded that “although the Council is a limited user of its surveillance powers, regular, ongoing internal oversight of the actual or potential use of powers is important.” The Inspector also noted that the “organisation appears to be in good hands through a knowledgeable RIPA Coordinator and a well-informed Senior Responsible Officer.”	Comments noted – no action necessary.
Merger Issues	
The Inspector noted the ongoing consultation relating to the proposed merger with Stratford District Council and wished to be kept informed of any developments.	Note made in Audit and Risk Manager’s online calendar to update the Inspector with details of the merger situation at end of 2022/23 financial year.
General	
The Inspector required the Council to acknowledge receipt of the report within two months.	Done.

Agenda Item No 9
Cabinet
10th March 2022

Title: Use of Delegated Emergency Powers
Lead Officer: Chris Elliott
Portfolio Holder: Cllr Liam Bartlett
Public report
Wards of the District directly affected: Warwick wards

Summary

This report asks Cabinet to note a decision taken under delegated power CE(4), after appropriate consultation with, and approval from, the five Group Leaders.

Recommendation

That Cabinet note the appropriate use of delegated powers as provided by CE(4) in the Scheme of Delegation for approval of the emerging Venue Use Agreement (VUA) in respect of the start and finish venue for the Commonwealth Games Start and Finish venue in Warwick.

1 Background/Information

1.1 Members will be aware that the Council have been working closely with the organisers of the Birmingham 2022 Commonwealth Games and Warwickshire County Council to confirm the details of the start and finish and race route of the Cycling Road Races.

1.2 At an early stage of these discussions the preferred site for the start and finish was on Banbury Road immediately outside of St Nicholas Park. A tripartite Heads of Terms (HoT) was signed between Warwick District Council, Warwickshire County Council and Birmingham 2022, which confirmed the location of the start and finish, the extent of the infrastructure within St Nicholas Park, and the dates of closure that would be required of the car park. The HoT also included the compensation that would be paid by B2022 for loss of car parking income from this pay and display car park.

1.3 Officers established a stakeholder group of interested parties from St Nicholas Park and worked with them to understand the impact of the start and finish on their businesses and access to properties.

1.4 Over the last 4 months B2022 have been liaising with the blue light services, the International Cycling Federation and WDC officers, and have now proposed a change of the start and finish to Myton Road, opposite Myton Fields. This change of location has been supported by WDC, and by the stakeholder group and no adverse feedback has been received about the new location.

1.5 Officers are now nearing completion of the Venue Use Agreement, the legal document between WDC and Birmingham 2022 that underpins the partnership for the event. This document supersedes the HoT signed in 2021, and as such required the signature of the Chief Executive as noted by this report. There are no differences in content between the previous HoT and the VUA now signed other than location and the payment of compensation that will now apply to Myton Fields car park rather than St Nicholas Park car park.

2 Alternative Options available to (name of Committee/Cabinet etc.)

2.1 No alternative options to be considered.

3 Consultation and Member's comments

3.1 Group Leaders supported the use of delegated emergency powers.

4 Implications of the proposal

4.1 Legal/Human Rights Implications

4.1.1 None

4.2 Financial

4.2.1 None

4.3 Council Plan

4.3.1 External Impacts of the decision: The successful delivery of the Birmingham Commonwealth Games at the venues in Warwick district will have a lasting impact on local businesses and visitor economy. There is a direct positive impact of the move of the start and finish to this alternative location in that it means less disruption to the businesses located within St Nicholas Park, Warwick.

4.3.2 Internal impacts of the decision: None

4.4 Environmental/Climate Change Implications

4.4.1 None

4.5 Analysis of the effects on Equality

4.5.1 None

4.6 Data Protection

4.6.1 None

4.7 Health and Wellbeing

4.7.1 None

5 Risk Assessment

5.1 A full and detailed risk assessment of the new location for the start and finish will be undertaken by Birmingham 2022 as part of their venue planning process.

6 Conclusion/Reasons for the Recommendation

6.1.1 In giving approval for the appropriate use of delegated powers officers have been able to progress the process of finalising the Venue Use Agreement with Birmingham 2022 for the use of Myton Fields for the start and finish of the Cycle Road Races for the Commonwealth Games.

Support Information Sheet

Please complete and submit to Democratic Services with report

Committee / Date	Cabinet – 10th March 2022
Title of report	Use of delegated emergency powers

Officer / Councillor Approval *required	**Date**	**Name**
Ward Members(s)		
Portfolio Holder		Cllr Bartlett
Financial Services *		Mike Snow
Legal Services (*SDC)		
Other Services		
Chief Executive(s)		Chris Elliott
Head of Services(s)*		Rose Winship
Section 151 Officer		Mike Snow
Monitoring Officer		Philip Grafton
CMT (WDC)		Chris Elliott, Andy Jones
Leadership Co-ordination Group (WDC)		Cllrs Day, Boad, Nicholls, Davison and Falp
Other organisations		

Final decision by this Committee or rec to another Cttee / Council?	Yes/ No Recommendation to: Cabinet / Council ……………………. Committee
Contrary to Policy / Budget framework?	No/Yes
Does this report contain exempt info/Confidential? If so, which paragraph(s)?	No/Yes, Paragraphs:
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?	No/Yes, Forward Plan item – scheduled for ………… (date)
Accessibility Checked?	Yes/No