WARWICK DISTRICT COUNCIL

Overview & Scrutiny Committee
Wednesday 28 September 2022

An additional meeting of the above Committee will be held in the Town Hall, Royal Leamington Spa on Wednesday 28 September 2022, at 6.00pm and available for the public to watch via the Warwick District Council YouTube channel.

Councillor Milton (Chair)

Councillor A Barton
Councillor G Cullinan
Councillor A Dearing
Councillor J Dearing
Councillor O Jacques
Councillor C King
Councillor P Kohler
Councillor V Leigh-Hunt
Councillor M Noone
Councillor P Redford
Councillor S Syson

Emergency Procedure

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

Agenda

1. **Apologies & Substitutes**

   (a) to receive apologies for absence from any Councillor who is unable to attend; and
   (b) to receive the name of any Councillor who is to act as a substitute, notice of which has been given to the Chief Executive, together with the name of the Councillor for whom they are acting.

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 9 August 2022. **(Pages 1 to 5)**

4. **Work Programme, Forward Plan & Comments from Cabinet**

   To consider a report from Democratic Services. **(Pages 1 to 13)**

5. **Development Management and Enforcement Performance Update**

   To consider a report from Development Services. **(Pages 1 to 7)**

6. **Treasury Management Activity Report for period 1 October 2021 to 31 March 2022**

   To consider a report from Finance. **(Pages 1 to 26)**

7. **Annual Treasury Management Report 2021/22**

   To consider a report from Finance. **(Pages 1 to 22)**

8. **Cabinet Agenda (Non-Confidential Items and Reports) – Thursday 29 September 2022**

   To consider the non-confidential items on the Cabinet agenda which fall within the remit of this Committee. The only items to be considered are those which Committee Services have received notice of by 9.00am on the morning after Group meetings. **(Circulated Separately)**

9. **Public & 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 item by reason of the likely disclosure of exempt information within the paragraphs 1,2 & 3 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

10. **Cabinet Agenda (Confidential Items and Reports) – Thursday 29 September 2022**

    To consider the confidential items on the Cabinet agenda which fall within the remit of this Committee. The only items to be considered are those which Committee Services have received notice of by 9.00am on the morning after Group meetings. **(Circulated separately)**

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Overview and Scrutiny Committee

Minutes of the meeting held on Tuesday 9 August 2022 in the Town Hall, Royal Leamington Spa at 6.00 pm.

Present: Councillor Milton (Chair); Councillors Barton, Cullinan, A Dearing, J Dearing, Jacques, King, Kohler, Noone, Redford, and Syson.

Also Present: Councillor Day – Leader of the Council, Councillor Falp – Portfolio Holder – Health & Community Protection, and Councillor Tracey, Portfolio Holder – Transformation.

20. **Apologies and Substitutes**

There were no apologies for absence made and there were no substitutions.

21. **Declarations of Interest**

There were no declarations of interest made.

22. **Minutes**

The minutes of the Overview and Scrutiny Committee meetings held on 27 June 2022 and 5 July 2022 were taken as read and signed by the Chair as a correct record.

23. **Work Programme Update – Digital Update**

The Committee considered a report from the Head of ICT which summarised the current progress being made towards Digital Transformation and the Council's Digital Strategy.

In December 2021, both the Cabinet at Stratford-on-Avon District Council and Warwick District Council considered and approved the creation of a joint digital strategy for South Warwickshire, with the aim to embed digitisation as a component of service integration, to ensure that as services from both Councils were brought together, digital was at the forefront of the revised delivery methods.

The strategy focussed the Council's activities on customer centric digital outcomes, through investment in service design, training, infrastructure, effective operational technology, and several key digitisation initiatives.

When the merger process was aborted in April 2022, the joint strategy was ended. The report gave an update on the key workstreams which were undertaken, the ongoing workstreams at the Council and key items that would be considered in a revised Digital Strategy.

In response to questions from Members, the Head of ICT and Councillor Tracey, Portfolio Holder – Transformation explained that:

- All options were still being explored in respect to a phone answering service at the Council; a decision on the type of system had not yet been made.
- ICT did have a certain amount of additional capacity which could be repurposed for supporting the Digital Strategy, particularly on the development side. Some staff resource had been moved to support project management elements, but when the report goes before Cabinet, there would be a request for additional staffing resource to support project management and the business analysis processes. The specific Service Areas did not have capacity to support those areas.
- When the work was ongoing during the merger process, the emphasis was on removing duplication in processes. Now, the emphasis was working on system replacements that would have the most impact and where the contracts were ending; an example given was the Acolaid system that would end in 2024. It was possible that in seeking a system to replace Acolaid, a lot of the providers would also offer solutions to other systems the Council used, providing opportunities to consolidate systems to reduce the number of systems in operations.
- The Finance team was helping with the financial figures required for the business case. There would be plenty of opportunity to scrutinise the business cases and challenge the figures.
- Work was ongoing in liaison with the Council's Risk Management team to see if the Risk Register system could be used by a wider audience across the Council. If this proved to be a useful tool, then the system could cope with it with relevant levels of access.
- Currently the Council did not have a CRM system to manage all of the interactions with customers although some Service Areas did have their own systems that managed interactions with their customers such as Revenues and Benefits. The primary base to populate the system would properties, populating the system with all addresses in the District, and then as customers contacted the Council, their details would be collated and added. Over time, the database would grow; other information such as the Electoral Roll could be used to continue to increase the database.
- The intention was to implement end to end systems, and these would be designed to suit customers/users whichever method they used to access Council services.
- Before long, the majority of people accessing Council services would have grown up in the digital age, who consumed services online and expected to conduct business online. Current services offered by the Council fell short of enabling this to happen completely. Increasing use would be made of online platforms, not just to raise service requests, but also to interact with staff and councillors. The App launched with the new waste collection service had a lot of potential to widen its scope, such as sending out notifications for example. However, those residents not so comfortable with conducting their business online would be catered for.
- ICT was already involved in the apprenticeship scheme, and one of the project managers was on a degree apprenticeship scheme. The Council was also in-house training its cyber resources.

The Committee asked for its thanks to be entered into the minutes for the work done by officers shown in the report and the continuing progress it represented, noting the additional workload officers had covered recently to support the IT needs of the Commonwealth Games and the introduction of the 123+ refuse service.

(Councillor Tracey left the meeting.)

24. **Cabinet Agenda (Non-Confidential items and reports) – Wednesday 10 August 2022**

Item 4 – Net Zero Carbon Development Plan Document – Submission

This report was not called in for scrutiny by the Committee because it had reviewed the draft Net Zero Carbon Development Plan Document at previous meetings; the Committee had also previously reviewed the Climate Change Action Programme. Minutes of a meeting when it was last reviewed had been circulated to Members ahead of the call-in deadline.

The Committee, in recognition of the importance of the work to the community and Council, expressed its thanks to officers for the work being done and supported the DPD.

The Committee considered the following items which would be discussed at the meeting of the Cabinet on Wednesday 6 July 2022.

Item 5 – Future Delivery of Noise Nuisance Investigations

The Committee thanked officers for their work on the policy and supported its implementation going forward.

Members would welcome the Council collaborating more closely with the local Police to secure their support in addressing the issue of noise nuisance in the District.

The Committee agreed to review the policy and service area's performance in respect of all forms of noise nuisance more generally at its meeting in December 2022 because of the importance of the subject to residents.

(Councillor Falp left the meeting.)

(At 7.33pm the meeting was adjourned for a comfort break. The meeting resumed at 7.41pm.)

Item 7 – Levelling Up Approach and Devolution Deal for Warwickshire

The Committee welcomed the engagement with parish and town councils and requested regular updates and engagement with District Councillors at appropriate times.

In reference to Recommendation 6 in the report, Members requested that the Bid submissions were made available to Councillors.

The Committee recommended that Cabinet formally noted, and made appropriate representations about, the lack of reference to Sustainable Futures in the WCC Leveling Up objectives, despite it representing one of the high-level elements and having strong support from residents; and the lack of metrics (e.g. energy efficiency of housing stock) in the

Evidence Base for gauging the potential for different districts and boroughs to achieve a sustainable future.

The Committee asked that Cabinet made these representations to the County Council.

Item 8 – Significant Business Risk Register

The Committee:

- welcomed a review of the inflation rate coming forward as soon as possible;
- Risk 7 – requested clarity on the reference to increased legal challenges; and
- requested more precision on events of national significance.

The Committee recommended that Cabinet considered the addition of the following two points on the Register:

1. Local Government re-organisation – should be a risk in itself; and
2. the potential for disruption from industrial action – should be a trigger to be included in a number of risks (officers to review).

25. **Work Programme, Forward Plan and comments from the Cabinet**

The Committee considered its work programme for 2022 as detailed at Appendix 1 to the report. Appendix 2 to the report gave responses from the Cabinet to the comments and recommendations the Committee had made to Cabinet reports it had scrutinised.

The Chair informed Members that he had asked officers to provide training ahead of the financial aspects they were being asked to scrutinise in coming months so that the Members understood how the Council's finances worked so that they were in a position to scrutinise the reports.

It was reported that the Task & Finish Group – Equality & Diversity membership had received the quotation from EQuIP for the consultation work with members of the Public and the members of the Group had been asked to submit questions they wished asked as part of the consultation.

The Deputy Chief Executive & Monitoring Officer gave an update on Service Area Projects. He advised that the service area plans were available for Councillors to view, and a link should have been provided. Individual training would be available to Councillors so that they could interrogate the measures. He had not yet got the information on Corporate Projects that had been requested and would provide this at the next meeting of the Committee.

Resolved that

(1) appendices 1 and 2 to the Work Programme report be noted;

(2) carry forward the outstanding update on Corporate Projects for the Deputy Monitoring Officer to give at the September meeting; and

(3) the following items be added to the Work Programme:

a. February 2023 – the final report from the Task & Finish Group – Equality & Diversity to be considered ahead of its consideration at the March meeting of Cabinet; and

b. November 2022 – half-year Treasury Management Activity report.

(Councillor Day left the meeting during this item.)

(The meeting ended at 8.30pm)

CHAIR
28 September 2022

Overview & Scrutiny Committee
28 September 2022

Title: Work Programme, Forward Plan & Comments from Cabinet
Lead Officer: Lesley Dury, Principal Committee Services Officer
Portfolio Holder: Not applicable
Public report
Wards of the District directly affected: Not applicable
Accessibility checked: Yes

Summary

This report informs Members of Overview & Scrutiny Committee:

(1) of the Committee's work programme for 2022/2023 (Appendix 1); and
(2) responses that Cabinet gave to comments and recommendations made by Overview & Scrutiny Committee regarding the reports to Cabinet 10 August 2022 (Appendix 2).

Recommendations

(1) That Members consider the work programme (Appendix 1) and agree any changes as appropriate.

(2) That the Committee:

- identifies any Cabinet items on the Forward Plan on which it wishes to have an input before the Cabinet makes its decision; and
- nominates a Member to investigate that future decision and report back to the Committee.

(3) That Members note the responses made by the Cabinet on the Comments from the Cabinet report (Appendix 2).

1 Background/Information

1.1 The five main roles of overview and scrutiny in local government are: holding to account; performance management; policy review; policy development; and external scrutiny.

1.2 The pre-decision scrutiny of Cabinet decisions falls within the role of 'holding to account'. To feed into the pre-decision scrutiny of Cabinet decisions, the Committee needs to examine the Council's Forward Plan and identify items which it would like to have an impact upon.

1.3 The Council's Forward Plan is published on a monthly basis and sets out the key decisions to be taken by the Council in the next twelve months. The Council only has a statutory duty to publish key decisions to be taken in the next four months. However, the Forward Plan was expanded to a twelve-month period to give a clearer picture of how and when the Council will be making important decisions.

1.4 A key decision means a decision made in the exercise of an executive function by any person (including officers) or body which meets one or more of the following conditions:

(1) The decision is likely to result in the Council incurring expenditure or the making of savings in excess of £150,000. Excluded from this are all loans to banks or other financial institutions made in accordance with the Treasury Management Strategy.

Officers' delegated powers to make The cabinet decisions are subject to the key decision/call-in regime where it is likely that the Council would incur expenditure or make savings above the threshold of £150,000.

In relation to letting contracts the key decision is the proposal to let a contract for a particular type of work. The subsequent decision to award the contract to a specific contractor will not be a key decision provided the value of the contract does not vary above the estimated amount by more than 10% for contracts with a value of up to £500,000 or 5% for contracts of over £500,000;

(2) The decision is likely to be significant in terms of its effects on communities living or working in any two or more Wards.

In considering whether a decision is likely to be significant, a decision-maker will need to consider the strategic nature of the decision and whether the outcome will have an impact, for better or worse on the amenity of the community or quality of service provided by the Council to a significant number of people living or working in the locality affected.

1.5 The Forward Plan also identifies non-key decisions to be made by the Council in the next twelve months, and the Committee, if it wishes, may also pre-scrutinise these decisions.

1.6 There may also be policies identified on the Forward Plan, either as key or non-key decisions, which the Committee could pre-scrutinise and have an impact upon how these are formulated.

1.7 The Committee should be mindful that any work it wishes to undertake would need to be undertaken without the need to change the timescales as set out within the Forward Plan.

1.8 At each meeting, the Committee will consider their work programme and make amendments where necessary, and also make comments on specific Cabinet items, where notice has been given by 9am on the morning after Group meetings. The Committee will also receive a report detailing the response from the Cabinet, on the comments the Committee made on the Cabinet agenda in the previous cycle.

1.9 The Forward Plan is considered at each meeting and allows the Committee to look at future items and become involved in those Cabinet decisions to be taken, if members so wish.

1.10 As part of the new scrutiny process, the Committee is no longer considering the whole of the Cabinet agenda.

1.11 On the day of publication of the Cabinet agenda all Councillors are sent an e-mail asking them to contact Committee Services, by 09.00am on the day of the Overview and Scrutiny Committee meeting to advise which Cabinet items they would like the Committee to consider.

1.12 As a result, the Committee considered the items detailed in appendix 2. The response the Cabinet gave on each item is also shown.

1.13 In reviewing these responses, the Committee can identify any issues for which they would like a progress report. A future report, for example on how the decision has been implemented, would then be submitted to the Committee at an agreed date which would then be incorporated within the work programme.

2 Conclusion/Reasons for the Recommendation

2.1 The work programme should be updated at each meeting to accurately reflect the workload of the Committee.

2.2 The proposed plan at Appendix 1 has been developed in order for the Committee to focus on the four agreed core themes (Covid 19, Climate Change, Medium Term Financial Strategy and Business Plan). While this Committee will not have as much focus on the Medium-Term Financial Strategy, it will have to spend significant times looking at the other areas in detail.

2.3 Two of the five main roles of overview and scrutiny in local government are to undertake pre-decision scrutiny of Cabinet decisions and to feed into policy development.

2.4 If the Committee has an interest in a future decision to be made by the Cabinet, or policy to be implemented, it is within the Committee’s remit to feed into this process.

2.5 The Forward Plan is actually the future work programme for the Cabinet. If a non-cabinet member highlighted a decision(s) which is to be taken by the Cabinet which they would like to be involved in, that member(s) could then provide useful background to the Committee when the report is submitted to the Cabinet and they are passing comment on it.

2.6 Appendix 2, Comments from Cabinet, is produced to create a dialogue between the Cabinet and the Overview and Scrutiny Committee. It ensures that the Overview and Scrutiny Committee is formally made aware of the Cabinet’s responses.

2.7 Where Overview and Scrutiny Committee has made a recommendation as opposed to a comment, the Cabinet is required to respond to the recommendation(s) made, including whether or not it accepts the recommendation(s).

Meeting Date: 28 September 2022

Title	Where did item originate from	Format	Lead Officer / Councillor	Next report date if applicable	Completion Date / Notes
Development Management and Enforcement Performance Update subsequent to report made to O&S in March 2022.	March 2022 O&S	Written Report	HoS Development / Gary Fisher	TBA	
Second half-year Treasury Management Activity Report 2021/22		Written report	Karen Allison	2022/23 September 2023	
Annual Treasury Management Report 2021/22		Written report	Karen Allison	2022/23 September 2023	
Service Area / Project report update - Corporate Projects	O&S 5 July 2022	Verbal update	Andy Jones		
Task & Finish Group – Equality & Diversity – Phase 2	O&S 6 July 2021	Verbal update	Councillor Kaur Mangat	Every meeting until completed	

Meeting Date: 1 November 2022

Title	Where did item originate from	Format	Lead Officer / Councillor	Next report date if applicable	Completion Date / Notes
Climate Emergency Action Plan update from previous period and giving progress against carbon emissions and what is coming forward. To provide options for financing climate change action programme projects as promised at O&S 24 May 2022. To give a RAG risk status at the start of the report showing the summary of risks and stage reached to achieving the Council's ambitions without carbon offsetting becoming necessary.	May 2022 O&S	Written report	Dave Barber	May 2023	Every 6 months

Title	**Where did item originate from**	**Format**	**Lead Officer / Councillor**	**Next report date if applicable**	**Completion Date / Notes**
HEART Shared Service update including the implementation of the new IT system, progress/improvements made and if needed, the options available to Council to change the service.	April 2022	Written report or if a report is going to Cabinet, call it in. Report to include progress/improvements made and if needed the options available to the Council to change the service.	Lisa Barker		
Costs for the Castle Farm Recreation Centre and Abbey Fields Swimming Pool projects	Request from P Herlihy to bring a report before O&S	Written report	Padraig Herlihy		
First half-year Treasury Management Activity report 2022/23		Written report	Karen Allison	2023/24 November 2023	

Meeting Date: 6 December 2022

Title	Where did item originate from	Format	Lead Officer / Councillor	Next report date if applicable	Completion Date / Notes
Environmental Enforcement Update subsequent to the report made in March '22	March 2022, O&S	Written report	Zoe Court		
Noise Nuisance Investigations: Review of the Policy and the service area's performance in respect of all forms of noise nuisance more generally	9 August 2022	Written report	Lorna Hudson		

Meeting Date: 7 February 2023

Title	Where did item originate from	Format	Lead Officer / Councillor	Next report date if applicable	Completion Date / Notes
Digital Strategy Update	O&S November 2021	Written report	David Elkington	August 2023	Every six months
Task & Finish Group – Equality & Diversity Phase 2 report for approval to submit to Cabinet in March		Written report	Councillor Kaur Mangat	Report on Cabinet decision following its March meeting.	

Meeting Date 7 March 2023

Title	**Where did item originate from**	**Format**	**Lead Officer / Councillor**	**Next report date if applicable**	**Completion Date / Notes**
Summary of the role, responsibilities and performance of the SWCSP	This is a mandatory report.	Written report	Liz Young / Marianne Rolfe.	March 2024.	This is an annual report.
Annual update from Shakespeare's England, looking back over the previous year's activity and forward to next year.	April 2022	Written report	Martin O'Neill and Councillor Bartlett	March 2024.	This is an annual report.

Meeting Date 18 April 2023

Title	**Where did item originate from**	**Format**	**Lead Officer / Councillor**	**Next report date if applicable**	**Completion Date / Notes**
Overview & Scrutiny End of Term report.	Standing Annual Item.	Written report.	Committee Services Officer.	April 2023.	This is an annual report.

Briefing Notes to All Councillors – April 2023: Not for O&S Agenda, but to be emailed to all WDC Cllrs

Title	Where did item originate from	Format	Lead Officer / Councillor	Next report date if applicable	Completion Date / Notes
Children's and Adults' Safeguarding Champions: End of Term Report.	Standing Annual Item.	Briefing note	Marianne Rolfe.	April 2024.	This is a briefing note to all Councillors.
Members' Annual Feedback on Outside Appointments / Annual review of membership/participation of Outside Bodies (Includes a short synopsis on Champions)	Standing Annual Items	Briefing note	Andrew Jones	April 2024	This is a briefing note to all Councillors.

Meeting Date: To Be Advised

Title	Where did item originate from	Format	Lead Officer / Councillor	Next report date if applicable	Completion Date / Notes
Park Exercise Permits – annual review of the scheme – on hold following a request that this report to delay the report until the new HoS is in situ.	August 2020  RE_ Overview & Scrutiny Committee	Written report	Ann Hill	TBA	
Decide if an update is required on the Catering and Events Concessions Contract – Royal Pump Rooms and Jephson Gardens Glasshouse.	Committee meeting 26 September 2019.	Informal update.	Dave Guilding / Philip Clarke.	TBA	
Update - plans to improve accessibility to, and the condition / cleanliness of, toilets for people living with disabilities.	Committee meeting 26 September 2019 and briefing note 8 December 2020.	Written report	Zoë Court	To be advised if applicable.	No officer will attend the Committee meeting unless there is a request.

Title	Where did item originate from	Format	Lead Officer / Councillor	Next report date if applicable	Completion Date / Notes
Minimum Energy Efficiency Standards Enforcement Process – Private Sector Housing	O&S August 2020	Written Report	Lisa Barker		A review was requested once the scheme had been operation for 12 months. Covid affected the process.

Response from the meeting of the Cabinet on the O&S Committee's Comments – 10 August 2022

Item Number 4 – Net Zero Carbon Development Plan Document - submission

Scrutiny Comment:
This report was not called in for scrutiny by Overview & Scrutiny Committee because the Committee had reviewed the draft Net Zero Carbon Development Plan Document at previous meetings; the Committee had also previously reviewed the Climate Change Action Programme. Minutes of a meeting when it was last reviewed had been circulated to Members ahead of the call-in deadline.

The Committee, in recognition of the importance of the work to the community and Council, expressed its thanks to officers for the work being done and supported the DPD.

Cabinet Response:
The recommendations in the report were approved.

Items 5 – Future Delivery of Noise Nuisance Investigations

Scrutiny Comment:
The Overview & Scrutiny Committee thanked officers for their work on the policy and supported its implementation going forward.

Members would welcome the Council working more closely with the local Police to secure their support in addressing the issue of noise nuisance in the District.

The Committee agreed to review the policy and service area's performance in respect of all forms of noise nuisance more generally at its meeting in December 2022 because of the importance of the subject to residents.

Cabinet Response:
The recommendations in the report were approved.

Item 7 – Levelling Up Approach and Devolution Deal for Warwickshire

Scrutiny Comment:
The Overview & Scrutiny Committee welcomed the engagement with parish and town councils and requested regular updates and engagement with District Councillors at appropriate times.

In reference to Recommendation 6 in the report, Members requested that the Bid submissions were made available to Councillors.

The Committee recommended that Cabinet formally notes, and makes appropriate representations about, the lack of reference to Sustainable Futures in the WCC Levelling Up objectives, despite it representing one of the high-level elements and having strong support from residents; and the lack of metrics (e.g. energy efficiency of housing stock) in the Evidence Base for gauging the potential for different districts and boroughs to achieve a sustainable future.

The Committee asked that Cabinet made these representations to the County Council.

Cabinet Response:
The recommendations in the report were approved, along with the following recommendation from the Overview & Scrutiny Committee:

"That the lack of reference to Sustainable Futures in the WCC Levelling Up objectives, despite it representing one of the high-level elements and having strong support from residents; and the lack of metrics (e.g. energy efficiency of housing stock) in the Evidence Base for gauging the potential for different districts and boroughs to achieve a sustainable future be noted, and appropriate representations be made to the County Council."

Item 8 – Significant Business Risk Register

Scrutiny Comment:
The Overview & Scrutiny Committee:

- welcomed a review of the inflation rate coming forward as soon as possible;
- Risk 7 – requested clarity on the reference to increased legal challenges; and
- requested more precision on events of national significance.

The Committee recommended that Cabinet considered the addition of the following two points on the Register:

1. Local Government re-organisation – should be a risk in itself; and
2. The potential for disruption from industrial action – should be a trigger to be included in a number of risks (officers to review).

Cabinet Response:
The recommendations in the report were approved, along with the following recommendation from the Overview & Scrutiny Committee:

"that the following two points be added to the Register:
- *Local Government re-organisation – should be a risk in itself; and*
- *The potential for disruption from industrial action – should be a trigger to be included in a number of risks (officers to review)."*

Agenda Item No 5
Overview and Scrutiny Committee
28 September 2022

Title: Development Management and Enforcement Performance Update
Lead Officer: Gary Fisher (01926 456502)
Portfolio Holder: Councillor Cooke
Wards of the District directly affected: All

Summary

The purpose of this report is to update the Committee on the recovery of the Council's Development Management and Enforcement Services and the related ongoing actions to maintain and improve efficiency and effectiveness.

Recommendation(s)

(1) It is recommended that the report is noted.

1 Background/Information

Background

1.1 Members will be aware that during the course of the recent pandemic, in line with a national trend, the Development Management service experienced a significant increase in the number of planning applications being submitted. This, combined with a number of other factors which were set out in a report for your 8 March 2022 meeting resulted in a backlog of applications amounting at its greatest to over 300 cases.

1.2 Members will also be aware that prior to that, the service has performed exceptionally well on a consistent basis with regard to the timescales for determining planning applications.

1.3 By way of response to the increased workload, as well as filling vacant posts, a number of additional temporary posts were created within the service. Whilst staff turnover amongst some of those posts continues to be significant, they remain in place to complete the processing of the surge of planning application work.

1.4 At its greatest, during early 2021, there were over 500 applications on hand of which 200 were being actively worked on whilst 300 were waiting to be allocated to a Planning Officer. The backlog of work waiting to be allocated to a Planning Officer was eliminated in December 2021 and currently there are 336 applications on hand, all of which are being worked on by a Planning Officer.

1.5 As members will be aware, our approach to the consideration of planning applications is to work closely with applicants and negotiate revisions to schemes where that is considered necessary to make them acceptable wherever possible. The alternative would be to refuse proposals without doing so which would increase the speed of decision making and assist with performance in that regard, but reduce the quality of the service being offered, increase the number of appeals being received, and extend the overall timescale from the customers perspective.

1.6 The period of time over which those cases were waiting to be allocated to an officer in the backlog queue significantly increased the overall application determination timescale, which was reflected in the lower performance figures for the proportion of applications determined within the statutory or extended timescale which were reported for the period October to December 2021 (42%).

1.7 Nevertheless, by the time of your meeting on 8 March 2022, performance for the then current partial quarter had improved to 68% of decisions being made within the statutory or extended timescale.

1.8 Since that time, the performance figures for the last 2 full quarters and the current part-quarter are as follows:-

January – March 22:	72%
April – June 22:	87%
July – August 22:	91%

The former backlog of planning applications waiting to be allocated to an Officer remains at zero.

1.9 Members will also be aware that over the last 2 years, the Planning Enforcement team has experienced significant issues with long term sickness, vacant posts (including the Team Manager role) and poor response levels to recruitment resulting in an under resourced team over much of that period.

1.10 At its worst, that situation contributed to an enforcement caseload of 434 cases of which 275 were awaiting investigation. This in turn led to a low level of customer satisfaction and increased numbers of service complaints.

1.11 However, since that time, the Enforcement Manager post has been filled, albeit temporarily on an agency basis and a further key member of staff has returned from long term sickness. As a result, the team is now proactively working to investigate cases in the most effective manner and to move towards a position where an increasing amount of time is spent on addressing the most harmful cases rather than administering the backlog of work.

1.12 In that regard, the current position is that the overall enforcement caseload has reduced to 225 cases of which 114 are awaiting investigation.

1.13 As part of that, there are 19 ongoing cases where formal action has either been, or is proposed to be taken, along with 2 appeals against Enforcement Notices that have been issued, both of which are being handled by way of a Public Inquiry.

1.14 It should however be noted that a different and full-time officer within the team has now been on sick leave for an extended number of weeks which appears likely to continue.

Actions Taken and Planned

1.15 The application backlog and uncharacteristic subsequent downturn in planning application performance has been a consequence of a combination of factors, most particularly the increase in the volume and complexity of the team's workload summarized above; the vacant posts that were being carried at the time; and sickness within the team during the pandemic.

1.16 We have also been experiencing a significant increase in the timescales for the receipt of some statutory consultee responses which is significantly delaying the assessment and determination of some planning applications – principally, the more major schemes.

1.17 As reported at your March meeting, since that time, a number of actions have been undertaken to address the workload situation principally involving the recruitment to existing vacant posts; the ongoing review of processes and protocols to enhance effective working wherever possible; and recruitment to additional temporary posts.

1.18 Those actions are considered to have been key to the elimination of the backlog of unallocated work and the subsequent progress that has been made.

1.19 Nevertheless, the recruitment and retention of staff within both the Development Management and Enforcement Teams continues to be a concern, as does levels of sickness, the former particularly as there remains a shortage of experienced planners and enforcement professionals available for the public sector.

1.20 That position continues to exacerbated by other Councils within the sub-region offering more attractive renumeration packages which continues to be evidenced by low levels of external interest in some roles and the continued loss of existing staff to nearby Councils.

1.21 In addition, in order to assist with the ongoing imbalance of demand for enforcement investigations relative to resourcing and increase effective working wherever possible, work continues on the review of team priorities.

1.22 Following the unsuccessful recruitment to 2 additional temporary posts last November – Senior Enforcement Officer (2 years) and Enforcement Officer (1 year), it is intended to repeat those recruitments shortly.

1.23 In addition to the above, work is continuing on the formulation of a longer term Service Improvement Plan covering both development management and enforcement including:-

i. The review of capacity and resourcing with the teams.

ii. A recruitment and retention strategy including the increased use of market supplements where appropriate.

iii. A succession planning strategy.

iv. The procurement of a new back office system.

v. The digitizing of microfiche records.

vi. The increased use of Planning Performance Agreements to fund increased capacity within the Team.

vii. Increased collaboration with statutory and other consultees to assist, where possible in enabling their timelier responses.

2 Alternative Options available to the Overview and Scrutiny Committee

2.1 Other than noting the report and endorsing the proposed actions, there are no other alternative options before the Committee at this time.

3 Consultation and Member's comments

3.1 No comments received.

4 Implications of the proposal

4.1 Legal/Human Rights Implications

4.1.1 There are no specific legal or human rights implications of the proposal.

4.2 Financial

4.2.1 The Service Improvement Plan is anticipated to be funded within the existing budget envelope and increases in income brought about through charging for discretionary services and in particular Planning Performance Agreements and pre-application advice.

4.3 Council Plan

4.3.1 The proposals are directed at continuing and sustaining the recovery of both the development management and enforcement services which in turn will contribute to good development being delivered more effectively within the District to the benefit of residents, workers and visitors, and the environment.

4.3.2 The proposals are also intended to ensure that the service operates at an optimum level to ensure a high quality service going forward.

4.4 Environmental/Climate Change Implications

4.4.1 Increased effectiveness within the development management and enforcement services which in part will be sustained by ensuring that capacity within the teams is at the right level, in turns supports the quality of decision making and the ability to secure the environmental benefits to address the climate crisis agenda.

4.5 Analysis of the effects on Equality

4.5.1 The proposal is not anticipated to impact upon equality.

4.6 Data Protection

4.6.1 The Service Improvement Plan referred to above is intended to ensure that the service fulfils its data protection obligations and any issues are addressed quickly and appropriately.

4.7 Health and Wellbeing

4.7.1 Increased effectiveness within the development management and enforcement services will contribute to the right development occurring in the right place and at the right time securing outcomes from the Health in All Policies programme through mitigation measures and infrastructure delivered by new development which will benefit the health and well-being of residents, workers and visitors within the District.

5 Risk Assessment

5.1 Local Council's performance on the determination of planning applications and appeals is reported to and monitored by the Department for Levelling Up, Housing and Communities.

5.2 In the circumstances where Councils are considered to be consistently performing poorly in that regard, there is a risk that they will be designated as a Special Measures Authority.

5.3 Such designation would mean that customers could decide whether they wished to have their planning applications determined by the Council or by the Planning Inspectorate, thereby potentially removing local accountability and is therefore to be avoided.

5.4 Whilst such designation is infrequent, there are instances where that has occurred and Officers are therefore mindful of this risk.

5.5 The current criteria for Councils potentially being considered for Special Measures include failing to determine on aggregate 60 per cent of major and 70 per cent of non-major applications within the statutory or extended period or having more than ten per cent of major or non-major applications overturned on appeal, over a 2 year timeframe. Performance on enforcement matters isn't the subject of potential designation.

5.6 Such designation is only likely to be considered where a Council's performance consistently falls below those levels over an extended period. As indicated above, this Council's performance, until recently has been consistently significantly above those levels and whilst that performance has recently dipped, it is now returning to previous levels and therefore the risk of such designation is considered to be low.

5.7 As also set out above, actions are being taken and further actions planned to ensure the return to that high performance is consistently sustained for our customers and eliminate any risk of future designation.

6 Conclusion/Reasons for the Recommendation

6.1 This report updates members on the Council's improving performance on the timescales for determining planning applications and enforcement investigations; the actions that have been taken to date; and those planned to return that performance to pre-existing high levels and sustain that in the longer term.

6.2 Members are asked to note the report and endorse the actions that are proposed.

Background papers:

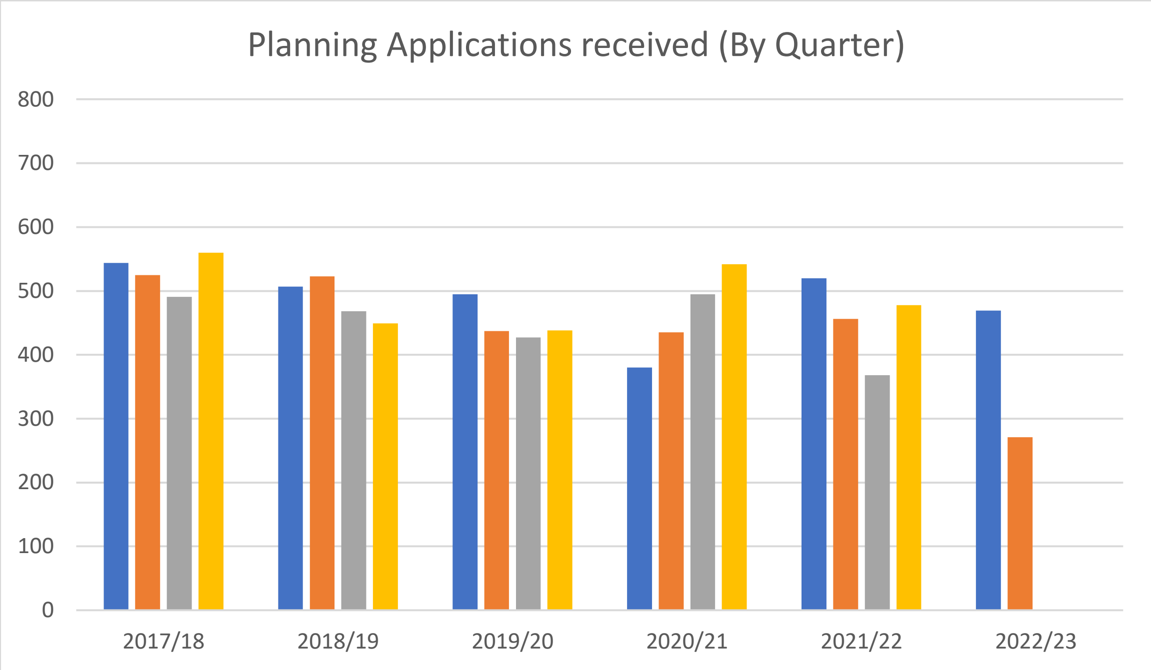
Please provide a list of any papers which you have referred to in compiling this report and are not published documents. <u>This is a legal requirement</u>.

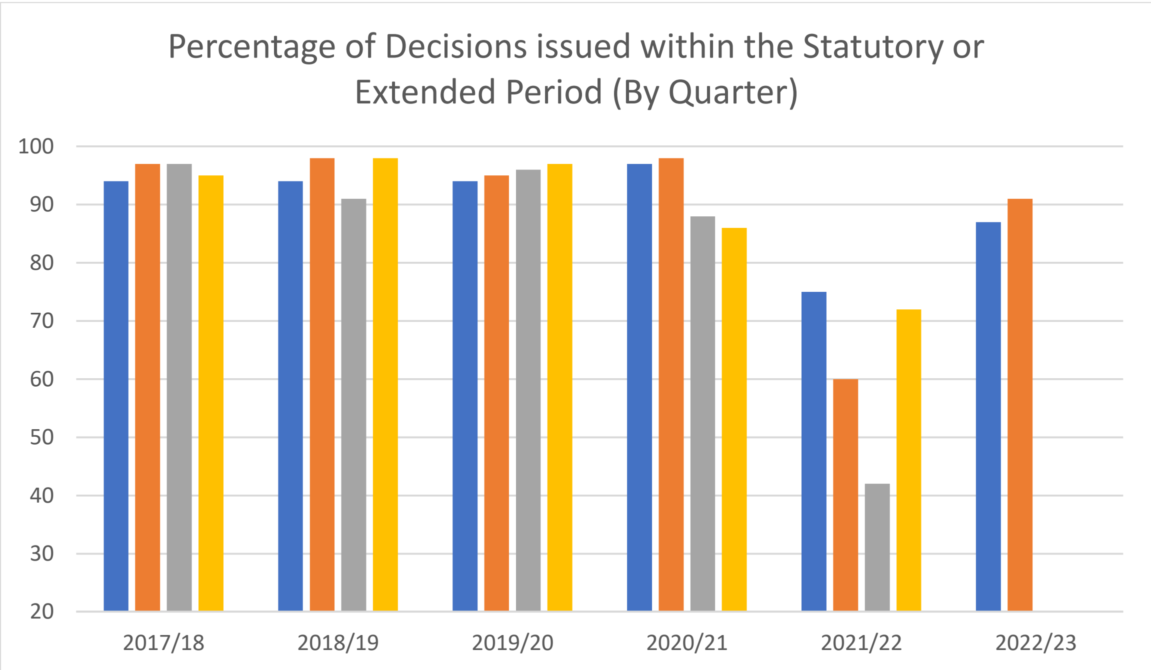
You must also supply these when submitting the report.

Supporting documents:

This is not a legal requirement but may assist others in identifying documents you have referred to in producing the report.

Performance Timeline





Report Information Sheet

Committee/Date	28 September 2022
Title of report	Development Management and Enforcement Performance Update

Consultations undertaken		
Consultee *required	**Date**	**Details of consultation /comments received**
Ward Member(s)	N/A	
Portfolio Holder WDC	30/8/22	
Financial Services *	N/A	
Legal Services *	N/A	
Other Services	N/A	
Chief Executive(s)	30/8/22	
Head of Service(s)	30/8/22	
Section 151 Officer	30/8/22	
Monitoring Officer	30/8/22	
CMT (WDC)	30/8/22	
Leadership Co-ordination Group (WDC)	N/A	
Other organisations	N/A	

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

Addendum to Item 5

Overview & Scrutiny Committee
28 September 2022

Title: Development Management and Enforcement Performance Update - Addendum
Lead Officer: Gary Fisher
Portfolio Holder: Councillor Cooke
Wards of the District directly affected: All

Breakdown of Planning Enforcement Investigations Awaiting Allocation to an Officer

Month	**Number of Cases**
January 2021	3
February 2021	2
March 2021	10
April 2021	2
May 2021	3
June 2021	6
July 2021	3
August 2021	6
September 2021	5
October 2021	3
November 2021	5
December 2021	4
January 2022	9
February 2022	7
March 2022	10
April 2022	7
May 2022	2
June 2022	0
July 2022	1
August 2022	0
September 2022	1
TOTAL	**89**

Note: Since March 2022, this number has reduced from 275 such cases awaiting investigation.

Agenda Item No 6
Overview & Scrutiny Committee
28th September 2022

Title: Treasury Management Activity Report for period 1 Oct 2021 to 31 March 2022
Lead Officer: Karen Allison, Assistant Accountant (Capital and Treasury) 01926-456334
Portfolio Holder: Councillor Richard Hales
Wards of the District directly affected: All

Summary

This report details the Council's Treasury Management performance for the period 1 October 2021 to 31 March 2022.

Recommendation(s)

(1) That Finance and Audit Scrutiny Committee notes the contents of this report.

1 Background/Information

1.1 The Council's 2021/22 Treasury Management Strategy and Treasury Management Practices (TMP's) require the performance of the Treasury Management Function to be reported to Members on a half yearly basis in accordance with the Treasury Management Code of Practice.

1.2 LIBOR and LIBID rates ceased from the end of 2021. For benchmarking purposes they have been replaced with SONIA (Sterling Overnight Index Average) and Warwick District Council treasury team have decided to use 'backward' looking rates.

2 Alternative Options available to Finance and Audit Committee

2.1 This report retrospectively looks at what has happened during the last six months and is, therefore, a statement of fact.

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 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 of the capital.

4.2.2 Warwick District Council is reliant on interest received to help fund the services it provides. The actual investment interest in 2021/22 compared with the original and latest budgets is shown in the following table:

	Latest 2021/22 Budget £'000	**Original 2021/22 Budget £'000**	**Actual 2021/22 £'000**
Gross Investment Interest	544	649	538
less HRA allocation	-115	-123	-15
Net interest to General Fund	**430**	**526**	**523**

4.2.3 On 31 March 2022 the Council advanced a further £10m to the Joint Venture (JV) using two £5 million PWLB loans of 1.5 and 3.5 years, with the repayments matching those from the JV. The General Fund is paying the interest costs on the total six PWLB loans but will be receiving interest receipts from the JV, creating a net income.

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.

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 Continued uncertainty in the aftermath of the 2008 financial crisis, brought into even sharper focus by the COVID-19 pandemic, has promoted a cautious approach, whereby investments are now dominated by low counterparty risk considerations, with low returns compared to borrowing rates.

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).

It is accepted that longer duration investments increase the security risk within the portfolio, however this is inevitable to achieve the best possible return and still comply with the SLY principle which is a cornerstone of treasury management within local authorities.

In addition to credit ratings themselves, the Council will also have regard to any ratings watch notices issued by the three agencies as well as articles in the Financial press, market data and intelligence from Link Asset Services benchmarking groups. It will also use Credit Default Swap (CDS) data as supplied by Link Asset Services – Treasury Solutions to determine the suitability of investing with counterparties.

Corporate Bonds and Floating Rate Notes (FRNs) – when used -introduce counterparty credit risk into the portfolio by virtue of the fact that it is possible that the institution invested in could become bankrupt leading to the loss of all or part of the Council's investment. This is mitigated by only investing in Corporate Bonds or FRNs with a strong Fitch credit rating, in this case 'A' and issued as Senior Unsecured debt which ranks above all other debt in the case of a bankruptcy.

Covered Bonds also reduce risk in the portfolio as the bond is 'backed' by high quality assets such as prime residential mortgages thus ensuring that if the bond issuer defaults there are sufficient assets that can be realised in order to repay the bond in full.

Corporate Equity Funds can help to ensure capital security in real (as opposed to nominal) terms, but they consequently introduce the risk of capital loss due to market price fluctuations, as illustrated in paragraph 4.2.3. This is mitigated by ensuring the investments are held for a sufficiently long period. In addition, mitigation is achieved by having a spread of funds with differing risk appetites. 'Stop loss' limits (whereby if the value in the fund goes below a defined limit, the holdings in that fund will be sold) reduce risk by limiting losses. Finally, a volatility reserve had been created, which could have been released to revenue either to cover or at least mitigate the impact of any deficits.

6 Conclusion/Reasons for the Recommendation

6.1 This report is for information purposes and is a statement of fact.

Background papers:

Appendix A - Interest Rate Environment, Investment Performance, Counterparty

Credit Ratings, Benchmarking, Borrowing, Prudential Indicators and 2022/23 Treasury Management Strategy.

Appendix B – Investment Performance Analysis

Appendix C – Counterparty Rating at Time of Investment

Appendix D – Standard lending List @ March 2022

Appendix E - Link Asset Services Commentary on the Current Economic Background

Supporting documents:

None.

Appendix A

1. Interest Rate Environment

The major influence on the Council's investments is the Bank Rate. The Council uses Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates.

The forecast on 7th February is below.

Qtr Ending	Mar 2022	June 2022	Sept 2022	Dec 2022	Mar 2023	Jun 2023	Sept 2023	Dec 2023	Mar 2024	Jun 2024	Sept 2024
Current Forecast as at Feb 2022											
Bank Rate %	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Forecast as at January 2021 (when Original Budgets were set)**:**											
Bank Rate %	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10

The forecast as at January 2021 is shown for comparison purposes as this forecast was used in calculating the original budgets.

The Council aims to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. The Annual Investment Strategy 2021/22 was approved by Council on 24 Feb 2021. This approved the current lending criteria which reflect the level of risk appetite of the Council. However, the Council continues to review its Standard Lending List as a result of frequent changes to Banking Institutions' credit ratings, to ensure that it does not lend to those institutions identified as being at risk. A copy of the current lending list is shown as Appendix D.

2. Investment Performance

2.1 Core Investments

During 2021/22 to date, the in-house function has invested core cash funds in fixed term deposits and notice accounts in the Money Markets. Table 1 in Appendix B illustrates the performance of the in-house function during this first half year for each category normally invested in.

All the SONIA rates in the table and referred to below include a margin of 0.0625% to give the Benchmark.

During October to March eighteen core investments matured. Length of re-investment was kept mostly short (up to 3 months)in order to take advantage of any interest rate increase. In all the periods, the Council out-performed against the Benchmark.

Given that counterparty security is of the utmost importance over return of yield, the level of performance achieved in this second half year continues to be satisfactory within the new economic reality.

2.2 Cash Flow Derived Funds & Accounts

The in-house function utilises Money Market Funds and Call Accounts to assist in managing its short term liquidity needs. Performance in this period is shown in table 2 of Appendix B.

During the half year, the Council's cash flow investments were mainly into the Money Market Funds.

As with the Money Market investments, the SONIA benchmark which in this case is the 7-day rate, has been increased by a margin of 0.0625% and it can be seen from table 2 in Appendix B that the total interest under-performed against the benchmark. This is mostly due to the representational issue when investors converted from using LIBID to a SONIA-related benchmark.

The Council continued to concentrate its investments in the highest performing funds: Federated (variable and low volatility net asset value funds), Aberdeen Standard, Invesco, Federated and Royal London Cash Plus.

During the second half of 2021/22 the Council earned £5,445 realised interest on its Money Market Fund investments at an average rate of 0.03% and the average balance in the funds during the period was £31,590,800.

2.3 Call Accounts

As with the Money Market investments the 7-day SONIA benchmark is increased by a margin of 0.0625%.

The Council earned £6,507 interest on its call accounts in the second half year at an average rate of 0.16% and the average balance in the funds during the period was £8,038,031.

The following table brings together the investments made in the various investment vehicles during the second half year to give an overall picture of the investment return:

Vehicle	Return (Annualised) £'000	Benchmark (Annualised) £'000	Performance £'000
Money Markets £	21	11	11
Money Market Funds	5	38	-33
Call A/c's £	7	7	-
Total £	**33**	**56**	**-22**

It should be noted that the total investment return of £33,000 shown in the table above will not all be received in 2021/22 as it is an annualised figure and will include interest relating to 2020/21 and 2022/23.

An analysis of the overall in-house investments held by the Council at the end of March 2022 is shown in the following table:

(The previous half year is shown for comparison)

Type of Investment	Closing Balance @ 30 September 2021 £'000	Closing Balance @ 31 March 2022 £'000
Money Markets incl. CD's & Bonds	31,592	32,500
Money Market Funds	34,195	32,756
Business Reserve Accounts incl. Call Accounts	5,000	9,528
Total In House Investments	**70,787**	**74,784**

Counterparty Credit Ratings

The investments made in the second half year and the long and short term credit ratings applicable to the counterparty at the point at which the investment was made is shown in Appendix C.

All investments made within the second half year were in accordance with the Council's credit rating criteria.

Also attached for the Committee's information as Appendix D is the Council's current 2021/22 Counterparty lending list.

Benchmarking

With regard to the Link Asset Services Treasury Management Benchmarking Club, the Council is part of a local group comprising both District and County Councils and the results are published quarterly. Analysis of the results for the third quarter show that the Council's Weighted Average Rate of Return (WARoR) on its investments at 0.14% was above Link's model portfolio. For the final quarter the WARoR was 0.50% which was inline with Link's model portfolio.

Borrowing

During the half year, there was long term PWLB borrowing activity of £10 million (two £5 million loans, one of 1.5 years and the other of 3 years 5 months) alongside paying the second half year interest instalment on the £136.157 million PWLB borrowing for the HRA Self Financing settlement which amounted to £2.383 million and also interest of £110,400 on the £12 million PWLB borrowing taken out in September 2019.

During the half year it was not necessary to undertake any Money Market borrowing to fund cash flow deficits, with any deficits being managed within the Council's £50,000 overdraft facility. The interest rate on this facility is 3.60% above Bank Rate and is charged on the cleared balance at the end of each day when that balance is in debit i.e. overdrawn. In the half year there was no overdraft interest.

Prudential Indicators

The 2021/22 Treasury Management Strategy included a number of Prudential Indicators within which the Council must operate. The two major ones are the Authorised Limit and Operational Boundary for borrowing purposes. It is confirmed that during the half year neither indicator has been exceeded.

2022/23 Treasury Management Strategy

Work will commence in the current quarter on preparing the 2022/23 Treasury Management and Investment Strategies.

Whilst security of the funds will be paramount, it is intended that the Council will continue to achieve the best returns possible but within Environment, Social and Governance ("ESG" – aka "ethical") criteria, where possible.

Appendix B

Investment Performance Analysis

Table 1 – Summary Performance

Period	Investment Return (Annualised)	LIBID/SONIA Benchmark (Annualised)	Out/(Under) Performance
Up to 7 days			
April to September 2021	0.01%	-0.02%	0.03%
Interest earned 1st half year £	301	-614	915
October to March 2022	0.33%	0.08%	0.25%
Interest earned 2nd half year £	249	58	191
Rate for year	0.02%	-0.02%	0.04%
Value of Interest earned in Year	550	-556	1,106
Over 7 days & Up to 3 months			
April to September 2021	0.16%	0.02%	0.15%
Interest earned 1st half year £	7,864	748	7,116
October to March 2022	0.25%	0.15%	0.10%
Interest earned 2nd half year £	7,490	4,545	2,945
Rate for year	0.19%	0.07%	0.13%
Value of Interest earned in Year	15,354	5,293	10,061
Over 3 months & Up to 6 months			
April to September 2021	0.23%	0.00%	0.23%
Interest earned 1st half year £	10,496	57	10,439
October to March 2022	0.30%	0.13%	0.17%
Interest earned 2nd half year £	13,708	6,015	7,693
Rate for year	0.27%	0.07%	0.20%
Value of Interest earned in Year	24,203	6,071	18,132
Over 6 months to 365 days			
No Investments			
1 year and over			
April to September 2021	0.35%	0.13%	0.22%
Interest earned 1st half year £	20,700	7,798	12,902
October to March 2022- No Investments			
Rate for year	0.35%	0.13%	0.22%
Value of Interest earned in Year	20,700	7,798	12,902
TOTAL INTEREST FIRST HALF YEAR £	**39,361**	**7,989**	**31,372**
TOTAL INTEREST SECOND HALF YEAR £	**21,446**	**10,618**	**10,828**
TOTAL INTEREST FOR YEAR £	**60,807**	**18,607**	**42,200**

Table 2 - Cash Flow Derived Funds & Accounts

Period	Investment Return (Annualised)	LIBID 1st half year/SONIA 2nd half year Benchmark (Annualised)	Out/(Under) Performance
Goldman Sachs (CNAV)			
April to September 2021	0.00%	-0.02%	0.02%
Interest earned 1st half year £	0	-292	292
October to March 2022	0.11%	0.20%	-0.09%
Interest earned 2nd half year £	3,597	6,399	-2,802
Rate for year	0.08%	0.20%	-0.12%
Value of Interest earned in Year	3,597	6,107	-2,510
Deutsche (LVNAV)			
April to September 2021	0.00%	-0.02%	0.02%
Interest earned 1st half year £	0	-292	292
October to March 2022	0.07%	0.20%	-0.13%
Interest earned 2nd half year £	2,409	6,766	-4,357
Rate for year	0.07%	0.20%	-0.13%
Value of Interest earned in Year	2,409	6,474	-4,065
Invesco (CNAV)			
April to September 2021	0.01%	-0.02%	0.03%
Interest earned 1st half year £	401	-829	1,229
October to March 2022	0.04%	0.20%	-0.16%
Interest earned 2nd half year £	1,566	7,642	-6,076
Rate for year	0.04%	0.20%	-0.16%
Value of Interest earned in Year	1,967	6,813	-4,846
Aberdeen Standard (LVNAV)			
April to September 2021	0.01%	-0.02%	0.03%
Interest earned 1st half year £	466	-950	1,417
October to March 2022	0.13%	0.20%	-0.08%
Interest earned 2nd half year £	6,244	10,041	-3,797
Rate for year	0.07%	0.20%	-0.13%
Value of Interest earned in Year	6,710	9,091	-2,380
Federated Constant Net Asset Value (CNAV)			
April to September 2021	0.02%	-0.02%	0.05%
Interest earned 1st half year £	176	-144	320
October to March 2022	0.17%	0.20%	-0.03%
Interest earned 2nd half year £	1,186	1,418	-232
Rate for year	0.10%	0.20%	-0.10%
Value of Interest earned in Year	1,362	1,274	88
Federated Cash Plus Account (VNAV)			
April to September 2021	0.04%	-0.02%	0.06%
Interest earned 1st half year £	573	0	573
October to March 2022	-0.06%	0.20%	-0.26%
Interest earned 2nd half year £	-859	3,080	-3,939
Rate for year	-0.01%	0.20%	-0.21%
Value of Interest earned in Year	-286	3,080	-3,366

Royal London Cash Plus Account (VNAV)/Short Term Fixed Income Acc			
April to September 2021	0.04%	-0.02%	0.06%
Interest earned 1st half year £	1,187	317	870
October to March 2022	0.20%	0.20%	0.00%
Interest earned 2nd half year £	-8,697	3,120	-11,818
Rate for year	-0.24%	0.20%	-0.45%
Value of Interest earned in Year	-7,511	3,437	-10,948
TOTAL INTEREST FIRST HALF YEAR £	**2,803**	**-1,898**	**4,701**
TOTAL INTEREST SECOND HALF YEAR £	**5,445**	**38,466**	**-33,021**
TOTAL INTEREST FOR YEAR £	**8,248**	**36,568**	**-28,320**

Table 3 – Call Accounts

Period	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) Performance
HSBC Business Deposit Account			
April to September 2021	0.00%	-0.02%	0.02%
Interest earned 1st half year £	0	-275	275
October to March 2022	0.20%	0.20%	0.00%
Interest earned 2nd half year £	6,036	6,050	-15
Rate for year	0.14%	0.20%	-0.06%
Value of Interest earned in Year	6,036	5,775	260
Svenska Handelsbanken Account			
April to September 2021	0.01%	-0.02%	0.03%
Interest earned 1st half year £	101	-207	308
October to March 2021	0.07%	0.15%	-0.08%
Interest earned 2nd half year £	471	2,034	-1,563
Rate for year	0.03%	0.20%	-0.17%
Value of Interest earned in Year	572	1,827	-1,255
TOTAL INTEREST FIRST HALF YEAR £	**101**	**-482**	**583**
TOTAL INTEREST SECOND HALF YEAR £	**6,507**	**8,084**	**-1,577**
TOTAL INTEREST FOR YEAR £	**6,608**	**7,602**	**-994**

Appendix C

Counterparty Rating at Time of Investment

Counterparty	Investment Amount £	Credit Rating		Duration of Investment (days)
		Long Term	Short Term	
WDC Minimum	(Fitch)			
Building Societies		**n/a**	**n/a**	
National Counties	£1,000,000	n/a	n/a	95
National Counties	£1,000,000	n/a	n/a	90
WDC Minimum	(Fitch)	**A**	**n/a**	
Banks				
Landesbanken Hessen-Thueringen Girozentral (Helaba)	£2,000,000	A+	F1+	7
Landesbanken Hessen-Thueringen Girozentral (Helaba)	£2,000,000	A+	F1+	7
Landesbanken Hessen-Thueringen Girozentral (Helaba)	£2,000,000	A+	F1+	28
DBS Bank Ltd	£2,000,000	AA-	F1+	90
Al Rayan	£3,000,000	A+	F1	179
Standard Chartered	£3,000,000	A+	F1	181
Standard Chartered	£2,500,000	A+	F1	92
Standard Chartered	£2,500,000	A+	F1	184
Standard Chartered	£3,000,000	A+	F1	244
Qatar National Bank	£4,000,000	A+	F1	28
Qatar National Bank	£4,000,000	A+	F1	92
Qatar National Bank	£4,000,000	A+	F1	184
Qatar National Bank	£3,000,000	A+	F1	181
Local Authority		**n/a**	**n/a**	
Thurrock Council	£3,000,000	n/a	n/a	182

Counterparty	Investment Amount £	Credit Rating		Duration of Investment (days)
		Long Term	Short Term	
Money Market Funds (Investment amount is average principal in fund during half year)				
WDC Minimum	Fitch AAA & Volatility rating VR1+ or S & P AAAm or Moodys AAA & Volatility Rating MR1+			
Goldman Sachs	£4,604,574	Fund retained its rating throughout half year		liquid
Deutsche	£3,435,306			
Invesco	£7,853,597	Fund retained its rating throughout half year		liquid
Federated	£4,472,501	Fund retained its rating throughout half year		liquid
Aberdeen Standard	£9,638,739	Fund retained its rating throughout half year		liquid
Royal London Asset Management	£3,103,623	Fund retained its rating throughout half year		liquid
<u>Call Accounts</u>				
WDC Minimum	(Fitch)	**A+**		**F1**
HSBC Business Deposit Account	£4,347,457	Counterparty retained its rating throughout period AA- long term,F1+ short term.		liquid
Svenska Handelsbanken	£2,021,989	Counterparty retained its rating throughout period of AA long term, F1+ short term,		liquid

APPENDIX D

Warwick District Council Standard Lending List as at March 2022

Banks

Investments up to 365 days (3 months for explicitly guaranteed subsidiaries)

Investment / Counterparty type:	S/term	L/term minimum	Security / Min credit rating	Max limit per counterparty	Max. Maturity period	Use
Bank deposits	F1	A	UK Sovereign	£8m AA- & above, £7m if L/term rating minimum A+,£5m if L/Term rating A.	365 days	In-House +Advice & EFM*
Bank - part nationalised UK	F1	A	UK Sovereign	£9m	365 days	In-House +Advice & EFM*
Bank subsidiaries of UK Banks	Unrated	Unrated	Explicit Parent Guarantee	£5m	3 months	In-House +Advice & EFM*

NB. Includes Business Call Reserve Accounts and special tranches and any other form of investment with that institution e.g. Certificate of Deposits, Corporate Bonds and Repo's 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 Repo's of £3m.

Counterparty Limit is also the Group Limit where investments are with different but related institutions.

Investments over 365 days

Investment/ Counterparty type:	S/term	L/term Min	Security/ Min credit rating	Max limit per counterparty	Max. Maturity period	Use
Bank deposits	F1	A	UK Sovereign	£8m AA- & above, £7m if L/term rating minimum A+,£5m if L/Term rating A.	2 years	In-House +Advice & EFM*

Investment/ Counterparty type:	S/term	L/term Min	Security/ Min credit rating	Max limit per counterparty	Max. Maturity period	Use
Bank - part nationalised UK	F1	A	UK Sovereign	£9m	2 years	In-House +Advice & EFM*

NB. Includes Business Call Reserve Accounts and special tranches and any other form of investment with that institution e.g. Certificate of Deposits, Corporate Bonds and Repo's.

Counterparty limit is also the Group Limit where investments are with different but related institutions.

£15m overall limit for Corporate Bond / Property Funds & £20m limit for all counterparties.

£20m over 365 day limit only applies to those investments where at 1 April the remaining term is greater than 365 days. Any over 365 day investment with 365 days or less to maturity at 1 April is deemed to be short term.

BANK NAME	OTHER BANKS IN GROUP (*= Not on list but included for information re potential problems etc.)	GROUP LIMIT APPLIES
AUSTRALIA (AAA)		
Australia & New Zealand Banking Group Ltd		
Commonwealth Bank of Australia		
Macquarie Bank Ltd		
National Australia Bank Ltd	Bank of New Zealand* Yorkshire Bank *(Trading name of Clydesdale) Clydesdale Bank*	Yes
Westpac Banking Corporation		
BELGIUM (AA-)		
BNP Paribas Fortis		
KBC Bank NV		
CANADA (AA+)		
Bank of Montreal	Bank of Montreal Ireland plc*	
Bank of Nova Scotia	Scotia Bank* Scotia Bank (Ireland) Ltd* Scotia Bank Capital Trust (United States)*	

BANK NAME	**OTHER BANKS IN GROUP** **(*= Not on list but included for information re potential problems etc.)**	**GROUP LIMIT APPLIES**
	Scotia Bank Europe plc*	
Canadian Imperial Bank of Commerce	Canadian Imperial Holdings Inc New York* CIBC World Markets Holdings Inc*	
National Bank of Canada	National Bank of Canada New York Branch*	
Royal Bank of Canada	Royal Trust Company* Royal Bank of Canada Europe* Royal Bank of Canada Suisse* RBC Centura Banks Inc*	
Toronto Dominion Bank	TD Banknorth Inc*	
DENMARK (AAA)		
Danske Bank		
FINLAND (AA+)		
Nordea Bank Abp	Nordea Bank Denmark* Nordea Bank Norge* Nordea Bank North America*	Yes
FRANCE (AA)		
BNP Paribas		
Credit Agricole Corporate & Investment Bank		
Credit Industriel et Commercial		
Credit Agricole SA		
GERMANY (AAA)		
DZ Bank AG (Deutsche Zentral-genossenscaftsbank)		
Landesbanken Hessen-Thueringen Girozentrale (Helaba)		
Landwirtschaftliche Rentenbank		
NRW Bank		
HONG KONG (AA+) –		

BANK NAME	OTHER BANKS IN GROUP (*= Not on list but included for information re potential problems etc.)	GROUP LIMIT APPLIES
The Hong Kong & Shanghai Banking Corporation Ltd		
NETHERLANDS (AAA)		
ABN AMRO Bank N.V		
Bank Nederlandse Gemeenten		
Cooperatieve Centrale Raiffeisen Boerenleenbank BA (Rabobank Nederland)		
ING Bank NV		
QATAR (AA-)		
Qatar National Bank		
SINGAPORE (AAA)		
DBS Bank Ltd	DBS Bank (Hong Kong)*	
Oversea Chinese Banking Corporation Ltd		
United Overseas Bank Ltd		
SWEDEN (AAA)		
Skandinaviska Enskilde Banken AB	SEB Bolan*	
Svenska Handelsbanken AB	Stadtshypotek* Svenska Handelsbanken Inc USA*	
Swedbank AB		
SWITZERLAND (AAA)		
Credit Suisse AG		
UBS AG		
UNITED ARAB EMIRATES (AA)		
First Abu Dhabi Bank PJSC		
UNITED KINGDOM (AA-)		
Abbey National Treasury Services plc		
Al Rayan Bank Plc		
Barclays Bank UK plc(RFB)		
Barclays Bank plc(NRFB)		

BANK NAME	**OTHER BANKS IN GROUP** **(*= Not on list but included for information re potential problems etc.)**	**GROUP LIMIT APPLIES**
Goldman Sachs International Bank		
Handelsbanken Plc		
HSBC Bank plc (NRFB)	HSBC AM* HFC Bank Ltd* Hong Kong & Shanghai Banking Corporation* HSBC Finance Corp* HSBC Finance* HSBC USA Hang Seng Bank*	Yes
HSBC UK Bank Plc (RFB)		
Lloyds Banking Group :- Lloyds TSB Bank of Scotland	Halifax plc* Bank of Western Australia Ltd*. Cheltenham & Gloucester* Scottish Widows Investment Partnership* Scottish Widows plc*	Yes
Lloyds Bank plc (RFB)		
National Bank of Kuwait (International) plc		
National Westminster Bank PLC (RFB)		
NatWest Markets Plc (NRFB)		
Royal Bank Of Scotland (RFB)		
Santander UK plc		
Standard Chartered Bank		
Sumitomo Mitsui Banking Corporation Europe Ltd		
UNITED STATES OF AMERICA (AAA)		
Bank Of America		
Bank of New York Mellon	Bank of New York (Delaware USA)* Bank of New York (New York USA)*	

BANK NAME	OTHER BANKS IN GROUP (*= Not on list but included for information re potential problems etc.)	GROUP LIMIT APPLIES
	Bank of New York Trust Company*	
Citibank		
JP Morgan Chase Bank NA	Bank One Corp* Bank One Financial LLC* Bank One NA * First USA Inc* NDB Bank NA* Chemical Bank * Chemical Banking Corp* JP Morgan & Co Inc* Chase Bank USA* Robert Fleming Ltd*	
Wells Fargo Bank NA	Wachovia Bank* Wachovia Bank NA North Carolina USA*	

Building Societies

Investments up to 365 days

Investment/ Counterparty type:	S/term	L/term	Security/ Min credit rating	Max limit per counter-party	Max. Maturity period
Building Societies - category A • Nationwide	F1	A	UK Sovereign	£4m	365 days
Building Societies - category B • Coventry • Leeds • Yorkshire • Skipton	F1		UK Sovereign	£2m	365 days
Building societies – assets > £500m (Category C) • Principality • West Bromwich				£1m	3 months

Investment/ Counterparty type:	S/term	L/term	Security/ Min credit rating	Max limit per counter-party	Max. Maturity period
• Newcastle (Fitch removed ratings 7.9.16) • Nottingham • Cumberland • National Counties • Progressive • Cambridge • Newbury • Leek United • Monmouthshire • Saffron • Furness • Hinckley & Rugby • Ipswich • Darlington • Marsden					

Investments over 365 days

Investment/ Counterparty type:	S/term	L/term	Security/ Min credit rating	Max limit per counter-party	Max. Maturity period
Building societies Category A & B (see above)	F1	A	UK Sovereign	£1m	2 years

NB. Group limit of £8m.

Other Counterparties

Investment/ Counterparty type:	S/term	L/term	Security/ Min credit rating	Max limit per counter-party	Max. Maturity period
DMADF / DMO	n/a	n/a	UK Sovereign	Unlimited	365 days
Milverton Homes **WDC 100% subsidiary	n/a	n/a	n/a	£0.5m	Not defined
UK Govt. (includes Gilt Edged Securities & Treasury Bills), Local Authorities / Public Corporations /Nationalised Industries.	n/a	n/a	High viability/support	£9m	365 days
Money Market Fund(CNAV)	AAAm / Aaa-mf/AAAmmf			£10m	liquid
Money Market Fund (VNAV)	AAAf S1 / Aaa-bf/ AAA/V1			£6m	liquid

Investment/ Counterparty type:	S/term	L/term	Security/ Min credit rating	Max limit per counter-party	Max. Maturity period
Corporate bonds - category 1		A	UK Sovereign	£4m	2 years
		A+		£5m	
		AA - & ABOVE		£6m	
Corporate bonds - category 2		A		£9m	2 years
Corporate bonds - category 3		A	UK Sovereign	£4m	2 years
		A+		£5m	
		AA - & ABOVE		£6m	
Covered bonds - category 1		A	UK Sovereign	£4m	2 years
		A+		£5m	
		AA - & ABOVE		£6m	
Covered bonds - category 2		A		£9m	2 years
Covered bonds - category 3		A	UK Sovereign	£4m	2 years
		A+		£5m	
		AA - & ABOVE		£6m	
Bonds - Supranational / Multi Lateral Development Banks European Community European Investment Bank African Development Bank Asian Development Bank Council of Europe Development Bank European Bank for Reconstruction & Development Inter-American Development Bank International Bank of Reconstruction & Development	AAA / Govt Guarantee			£5m	365 days

Investment/ Counterparty type:	S/term	L/term	Security/ Min credit rating	Max limit per counter-party	Max. Maturity period
Or any other Supranational/Multi-Lateral Development Bank meeting criteria.					
Floating Rate Notes - category 1		A		£4m	364 days
		A+		£6m	
		AA - & ABOVE		£7m	
Floating Rate Notes - category 2		A		£9m	364 days
Floating Rate Notes - category 3		A		£4m	364 days
		A+		£5m	
		AA - & ABOVE		£6m	
Eligible Bank Bills	n/a		Determined by EFM	£5m	364 days
Sterling Securities guaranteed by HM Government	n/a		UK Sovereign	£9m	Not defined
Local Authorities	n/a	Viability/support= High £15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.		£9m	5 years
Corporate Equity Funds - low risk (UK Equity Income Funds)	n/a	Maximum investment limit subject to 10% capital growth i.e. maximum is 110% of original investment.		£4m	10 years
Corporate Equity Funds - medium risk (UK Capital Growth Funds)	n/a	Maximum investment limit subject to 10% capital growth i.e. maximum is 110% of original investment.		£2m	10 years
Corporate Bond Funds	BBB	£15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.		£5m	10 years
Pooled property fund eg: REITS	£15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.			£5m	10 years

Investment/ Counterparty type:		S/term	L/term	Security/ Min credit rating	Max limit per counter-party	Max. Maturity period
CCLA property funds	n/a	Security of Trustee of fund (LAMIT) controlled by LGA, COSLA who appoint the members and officers of LAMIT. £15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.			£5m	10 years

<u>Categories for Covered Bonds, Corporate Bonds (must be Senior Unsecured), Floating Rate Notes:</u>

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

Appendix E

Link Asset Services Commentary on the Current Economic Background

- **UK. Economy.** Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021, 0.50% at its meeting of 4th February 2022 and then to 0.75% in March 2022.

  The UK economy has endured several false dawns through 2021/22, but with most of the economy now opened up and nearly back to business-as-usual, the GDP numbers have been robust (9% y/y Q1 2022) and sufficient for the MPC to focus on tackling the second-round effects of inflation, now that the CPI measure has already risen to 6.2% and is likely to exceed 8% in April.

  Gilt yields fell towards the back end of 2021, but despite the war in Ukraine gilt yields have shot higher in early 2022. At 1.38%, 2-year yields remain close to their recent 11-year high and 10-year yields of 1.65% are close to their recent six-year high. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation.

  Historically, a further rise in US Treasury yields will probably drag UK gilt yields higher. There is a strong correlation between the two factors. However, the squeeze on real household disposable incomes arising from the 54% leap in April utilities prices as well as rises in council tax, water prices and many phone contract prices, are strong headwinds for any economy to deal with. In addition, from 1st April 2022, employees also pay 1.25% more in National Insurance tax. Consequently, inflation will be a bigger drag on real incomes in 2022 than in any year since records began in 1955.

- **Average inflation targeting.** This was the major change in 2020/21 adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August 2020 was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and *achieving the 2% target sustainably*". That mantra now seems very dated. Inflation is the "genie" that has escaped the bottle, and a perfect storm of supply side shortages, labour shortages, commodity price inflation, the impact of Russia's invasion of Ukraine and subsequent Western sanctions all point to inflation being at elevated levels until well into 2023.

- **USA.** The flurry of comments from Fed officials following the mid-March FOMC meeting – including from Chair Jerome Powell himself – hammering home the hawkish message from the mid-March meeting, has had markets pricing in a further 225bps of interest rate increases in 2022 on top of the initial move to an interest rate range of 0.25% - 0.5%.

  In addition, the Fed is expected to start to run down its balance sheet. Powell noted that the rundown could come as soon as the next meeting in May.

  The upward pressure on inflation from higher oil prices and potential knock-on impacts on supply chains all argue for tighter policy (CPI is estimated at 7.8% across Q1), but the hit to real disposable incomes and the additional uncertainty points in the opposite direction.

  More recently, the inversion of the 10y-2y Treasury yield spread at the end of March led to predictable speculation that the Fed's interest rate hikes would quickly push the US economy into recession. Q1 GDP growth is likely to be only between 1.0% and 1.5% annualised (down from 7% in Q4 2021). But, on a positive note, the economy created more than 550,000 jobs per month in Q1, a number unchanged from the post-pandemic 2021 average. Unemployment is only 3.8%.

- **EU.** With euro-zone inflation having jumped to 7.5% in March it seems increasingly likely that the ECB will accelerate its plans to tighten monetary policy. It is likely to end net asset purchases in June – i.e., earlier than the Q3 date which the ECB targeted in March. And the market is now anticipating possibly three 25bp rate hikes later this year followed by more in 2023. Policymakers have also hinted strongly that they would re-start asset purchases if required. In a recent speech, Christine Lagarde said "we can design and deploy new instruments to secure monetary policy transmission as we move along the path of policy normalisation."

  While inflation has hit the headlines recently, the risk of recession has also been rising. Among the bigger countries, Germany is most likely to experience a "technical" recession because its GDP contracted in Q4 2021, and its performance has been subdued in Q1 2022. However, overall, Q1 2022 growth for the Eurozone is expected to be 0.3% q/q with the y/y figure posting a healthy 5.2% gain. Finishing on a bright note, unemployment fell to only 6.8% in February.

- **China.** After a concerted effort to get on top of the virus outbreak in Q1 of 2020, economic recovery was strong in the rest of the year; however, 2021 has seen the economy negatively impacted by political policies that have focussed on constraining digital services, restricting individual freedoms, and re-establishing the power of the One-Party state. With the recent outbreak of Covid-19 in large cities, such as Shanghai, near-term economic performance is likely to be subdued. Official GDP numbers suggest growth of c4% y/y, but other data measures suggest this may be an overstatement.

- **Japan.** The Japanese economic performance through 2021/22 is best described as tepid. With a succession of local lockdowns throughout the course of the year, GDP is expected to have risen only 0.5% y/y with Q4 seeing a minor contraction. The policy rate has remained at -0.1%, unemployment is currently only 2.7% and inflation is sub 1%, although cost pressures are mounting.

- **World growth.** World growth is estimated to have expanded 8.9% in 2021/22 following a contraction of 6.6% in 2020/21.

- **Deglobalisation.** Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last 30 years, which now accounts for 18% of total world GDP (the USA accounts for 24%), and Russia's recent invasion of Ukraine, has unbalanced the world economy. In addition, after the pandemic exposed how frail extended supply lines were around the world, both factors are now likely to lead to a sharp retrenchment of economies into two blocs of western democracies v. autocracies. It is, therefore, 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 (and to a much lesser extent Russia) to supply products and vice versa. This is likely to reduce world growth rates.

- **Central banks' monetary policy.** During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

Report Information Sheet

Committee/Date	Overview and Scrutiny Committee 28th September 2022	
Title of report	Treasury Management Activity Report for period 1 October 2021 to 31 March 2022	
Consultations undertaken		
Consultee *required	**Date**	**Details of consultation /comments received**
Ward Member(s)		N/A
Portfolio Holder	07/09/2022	Cllr Richard Hales
Financial Services *	05/09/2022	Karen Allison/Richard Wilson
Legal Services *		N/A
Other Services		N/A
Chief Executive(s)		Chris Elliott
Head of Service(s)		Andrew Rollins (Interim)
Section 151 Officer		Andrew Rollins (Interim)
Monitoring Officer	06/09/2022	Andrew Jones
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?		Final decision
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 ……………………….~~
Accessibility Checked?		File/Info/Inspect Document/Check Accessibility

Title: Annual Treasury Management Report 2021/22

Lead Officer: Richard Wilson, Principal Accountant (Capital & Treasury) 01926 456801
Portfolio Holder: Councillor Richard Hales
Wards of the District directly affected: All

Summary

The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2021/22. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

This report covers the Council's performance for the whole of 2021/22 and is attached as Appendix A.

Recommendation(s)

(1) That the Members of the Overview and Scrutiny Committee note the contents of this report in respect of the Council's Treasury Management activities during 2021/22.

(2) That the Overview & Scrutiny Committee recommend to Council that in future updates on Treasury Management should be considered by the Audit & Standards Committee and the Constitution and relevant Policies are updated to reflect this.

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1 Background/Information

1.1 The Treasury Management Strategy for 2021/22 and the Council's Treasury Management Practices, in accordance with the Code of Practice for Treasury Management, require that the Treasury Management function reports on its activities during the year by no later than 30 September in the year after that being reported on.

1.2 During 2021/22 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 24/2/2021)
- a mid-year (minimum) treasury update report (Finance & Audit Scrutiny 03/11/2021)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

1.3 In addition, this Council receives a half-yearly treasury management update reports for the second half of 2021/22, which accompanies this report.

1.4 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

1.5 This Council is required to confirm that it has complied with the requirement under the Code to give prior scrutiny to all the above treasury management reports. In previous years this has been undertaken within the scrutiny function of Finance & Audit Scrutiny Committee. As that Committee has ceased to exist and the Council only has a Scrutiny Committee, it was considered by officers that the report for now should come to the Overview & Scrutiny Committee before they were reported to the full Council.

1.6 Officers have considered this and, on reflection, in future feel that this work is more closely aligned with the Audit & Standards Committee and therefore it is recommended that this should fall under the remit of the Audit & Standards Committee. Officers have undertaken comparison work with other councils and found that there is no unified approach across the sector. Grant Thornton tend to see treasury management reports being considered by an Audit Committee, with anything required then also going to Cabinet on the proposed approach (with referal to Council for certain decisions). This will not remove the ability for the Overview & Scrutiny Committee to consider any report regarding treasury management that is on the Cabinet agenda.

1.7 The report comments, where appropriate, on the Council's actual performance against what was forecast in the 2021/22 Treasury Management Strategy as well as, in certain instances, latest forecasts. The Council is also required to comment on its performance against its Annual Investment Strategy for the year.

1.8 The report consists of the following Appendices:

Appendix A - Annual Treasury Management Report 2021/22
Appendix B – Glossary of Terms.

2 Alternative Options available to Council

2.1 As explained in paragraph 1.1, the Code of Practice mandates that Annual Treasury Management Performance must be reported by 30 September after that financial year has closed, demonstrating compliance with the Prudential Code, or explaining any divergence for the approved Treasury Management Strategy and Prudential Indicators..

2.2 The Council had announced that it will divest from fossil fuels at the earliest opportunity; no later than the end of 2025, and ideally by the end of 2022. The Council was able to take advantage of market movements to divest in September 2021, as outlined in this report.

2.3 The Council may consider varying its investment vehicles or counterparty limits; however this would alter the potential credit and liquidity risks.

3 Consultation and Member's comments

3.1 This is a report on fact and subject to following reporting guidelines.

4 Implications of the proposal

4.1 Legal/Human Rights Implications

4.1.1 None directly arising.

4.2 Financial

4.2.1 The Treasury Management Strategy has a significant impact on the Council's budget through its objective of maximising investment income and minimising interest payable whilst ensuring the security and liquidity of financial resources.

4.2.2 The Council relies on interest received to fund the services it provides. The gross interest received in 2021/22, including non-Treasury Management interest, was £537,600. The interest paid to the HRA on its balances was £15,100, with a net of £522,500 retained by the General Fund. The table below compares this with budgeted figures:

	Original 2021/22 Budget £'000	Latest 2021/22 Budget £'000	2021/22 Actual £'000
Gross investment interest	649	544	538
less HRA allocation	-123	-115	-15
Net interest to General Fund	**526**	**430**	**523**

4.2.3 The main reason for the net interest to the General Fund increasing against the latest budget is that the HRA has been reliant on internal borrowing from the General Fund, in lieu of taking PWLB loans, and so is receiving the returns on the HRA reserves and balances reduced by the internal borrowing.

4.2.4 Borrowing costs to the HRA from the 2012 Self-Financing of £4.766m are unchanged from previous financial years and are charged directly to the HRA. The expected borrowing for new HRA capital expenditure had not been drawn down as at 31 March 2022, it being better value during the year to utilise internal borrowing rather than borrow long-term loans.

4.2.5 The £12 million PWLB loan taken during 2019/20 is charged to the General Fund and the full year interest costs are £220,800. A further £60 million of General Fund loans were borrowed from the PWLB by 31 March 2022, to finance the loan to the Crewe Lane housing joint venture, with £50 million having been advanced at 31 March 2022, the final £10 million being advanced on 1 April 2022. The interest paid on the PWLB loans for the joint venture (JV) during 2021/22 was £342,800 and the interest received from the JV was £1.190m, which has been excluded from the table above to aid prior year comparisons.

4.3 Council Plan

4.3.1. **External impacts**

The Treasury Management function is an underpinning activity that enables the Council to meet its vision by maximising investment returns and minimising borrowing costs, while managing the risk to the Council's funds and maintaining liquidity, so that the Council can meet its financial obligations through a well-managed cash flow. This protects services and benefits the Council's customers and other stakeholders.

People - Health, Homes, Communities – Treasury Management indirectly enables financial resources to be ready for the Council to meet the following intended outcomes: Improved health for all; Housing needs for all met; Impressive cultural and sports activities; Cohesive and active communities.

Services - Green, Clean, Safe – Treasury Management is a support function towards to overall achievement of the Council's intended outcomes: Becoming a net-zero carbon organisation by 2025; Total carbon emissions within Warwick District are as close to zero as possible by 2030; Area has well looked after public spaces; All communities have access to decent open space; Improved air quality; Low levels of crime and ASB. In terms of becoming a net-zero carbon organisation, the Council aims to disinvest the equity funds from any carbon-related organisations at the earliest opportunity – and no later than the end of 2025 - that the current economic conditions allow, and seek new 'green' investment opportunities that meet the overarching Treasury Management framework that the Council must operate within.

Money - Infrastructure, Enterprise, Employment – Treasury Management is a fundamental part of effective money management and indirectly aids the following intended outcomes: Dynamic and diverse local economy; Vibrant town centres; Improved performance/productivity of local economy; Increased employment and income levels.

4.3.2. **Internal impacts of the proposals**

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.

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.

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.

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 None directly attributable to the Treasury Mananagement activities of the Council since the Council divested in equity funds which had investments in fossil fuel companies.

4.5 **Analysis of the effects on Equality**

4.5.1 None directly attributable to the Treasury Mananagement activities, which is a support to all services across the Council but operates under tightly defined financial rules.

4.6 **Data Protection**

4.6.1 Treasury Management activities are between financial institutions, under the regulations of the financial markets.

4.7 **Health and Wellbeing**

4.7.1 Not applicable.

5 Risk Assessment

5.1 The Council maintained a cautious approach, as advocated by the regulatory framework, given experience from the 2008 financial crisis and the COVID-19 pandemic, with investments subject to low counterparty risk considerations, with relatively low returns compared to borrowing rates.

5.2 Investing the Council's funds unavoidably creates some risk, as would simply leaving the funds in a bank account. Treasury Management aims to manages risk through the application of the SLY principle: Security(S) ranks uppermost followed by Liquidity (L) and finally Yield(Y).

5.3 In addition to credit ratings themselves, the Council has regard to any ratings watch notices issued by the rating agencies, as well as articles in the Financial press, market data and intelligence from benchmarking groups. It will also use Credit Default Swap (CDS) data as supplied by its treasury advisers (Link Asset Services) to determine the suitability of investing with counterparties.

5.4 Although not used in 2021/22, or the previous financial year, Corporate Bonds and Floating Rate Notes (FRNs) introduce counterparty credit risk into the portfolio by virtue of the fact that it is possible that the institution invested in could become bankrupt, leading to the loss of all or part of the Council's investment. This is mitigated by only investing in Corporate Bonds or FRNs with a strong Fitch credit rating, in this case 'A', and issued as Senior Unsecured debt which ranks above all other debt in the case of a bankruptcy.

5.5 Covered Bonds also reduce risk since the bond is 'backed' by high quality assets such as prime residential mortgages, ensuring that if the bond issuer defaults there are sufficient assets that can be realised in order to repay the bond in full. Again, these were not used during 2021/22.

5.6 While Corporate Equity Funds can help to ensure capital security in real (as opposed to nominal) terms, they can risk capital loss due to market price fluctuations. This was evidenced with extreme movements worldwide in March 2020 as the extent and far-reaching consequences of COVID-19 saw investors 'take flight'. However, 2020/21 and the first half of 2021/22 experienced a significant recovery for both equity funds, providing an opportunity to divest in September 2021 an make a realised capital gain of £406,000.

6 Conclusion/Reasons for the Recommendation

6.1 The 2021/22 Annual Treasury Management Report is contained at Appendix A and demonstrates that the Council's Treasury Management activity was compliant with Prudential Indicators and the requirements of the Prudential Code.

Background papers:

- CIPFA Treasury Management Code of Practice

- CIPFA Prudential Code for Capital Finance in Local Authorities

Supporting documents:

- Annual Treasury Management Strategy 2021/22 (Council 24/2/2021)

Appendix A

2021/22 Annual Treasury Management Report

1. Investment strategy and control of interest rate risk

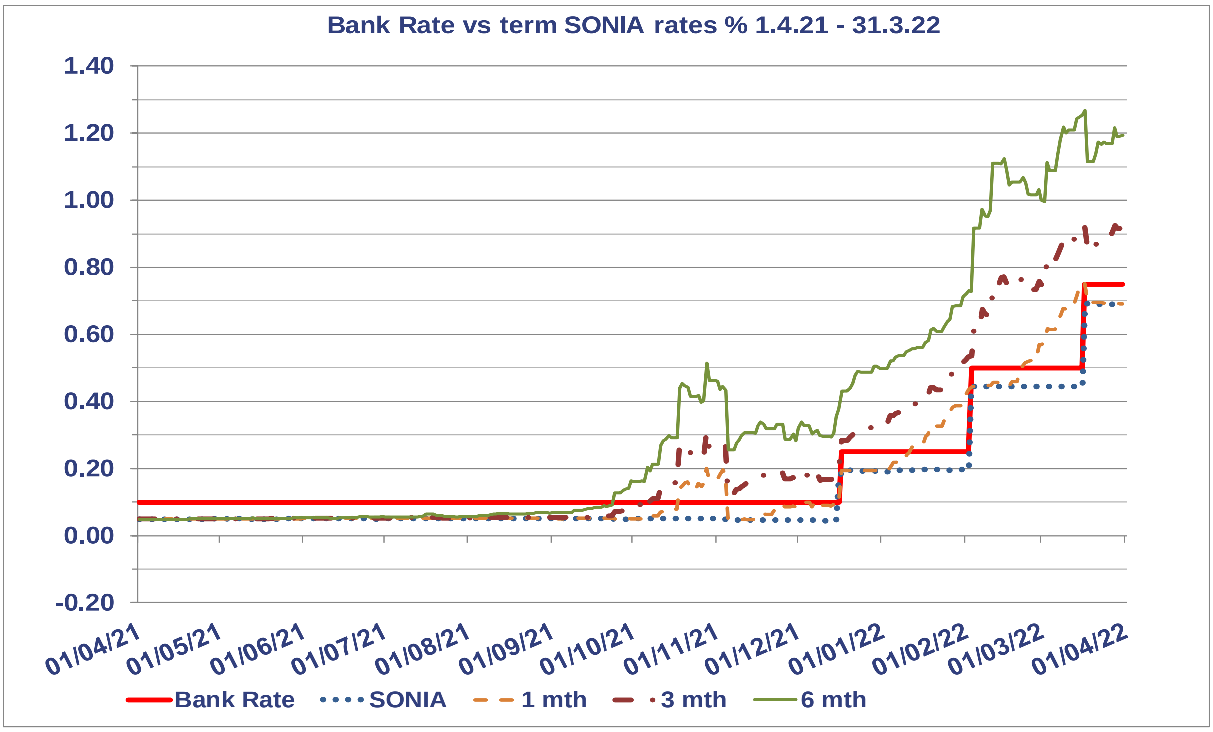
1.1. Investment returns remained close to zero for much of 2021/22. Most local authority lending managed to avoid negative rates and one feature of the year was the continued growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2021/22 was that Bank Rate would remain at 0.1% until it became clear to the Bank of England that the emergency level of rates introduced at the start of the Covid-19 pandemic were no longer necessitated.

1.2. The Bank of England and the Government also maintained various monetary and fiscal measures, supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the various lockdowns/negative impact on their cashflow. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates remained low until towards the turn of the year when inflation concerns indicated central banks, not just the Bank of England, would need to lift interest rates to combat the second-round effects of growing levels of inflation (CPI was 6.2% in February).

1.3. While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

1.4. Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets, other than the 'back-to-back' loans for the housing joint venture. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing counterparty risk exposure, by having fewer investments placed in the financial markets.

1.5. The tables below shows rate movements during the year, incorporating the new SONIA rather than the previous LIBID date (please see the Glossary):



	Bank Rate	SONIA	1 mth	3 mth	6 mth
High	0.75	0.69	0.75	0.93	1.27
High Date	17/03/2022	18/03/2022	16/03/2022	28/03/2022	17/03/2022
Low	0.10	0.05	0.05	0.05	0.05
Low Date	01/04/2021	15/12/2021	10/11/2021	14/04/2021	09/04/2021
Average	0.19	0.14	0.17	0.24	0.34
Spread	0.65	0.65	0.71	0.88	1.22

2. Borrowing strategy and control of interest rate risk

2.1. During the last financial year the Council maintained an under-borrowed position. This meant that the capital borrowing need (the Capital Financing Requirement) was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.

2.2. A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns. This must be balanced against potential interest rate increases, which could cause higher interest costs once long-term loans are taken.

2.3. As the PWLB loans for the housing joint venture were matched 'back to back' with capital loans the preceding paragraph does not apply to these loans, and the Council has made the loans at market rates (to comply with European competition laws) there should be no 'cost of carry' to the Council.

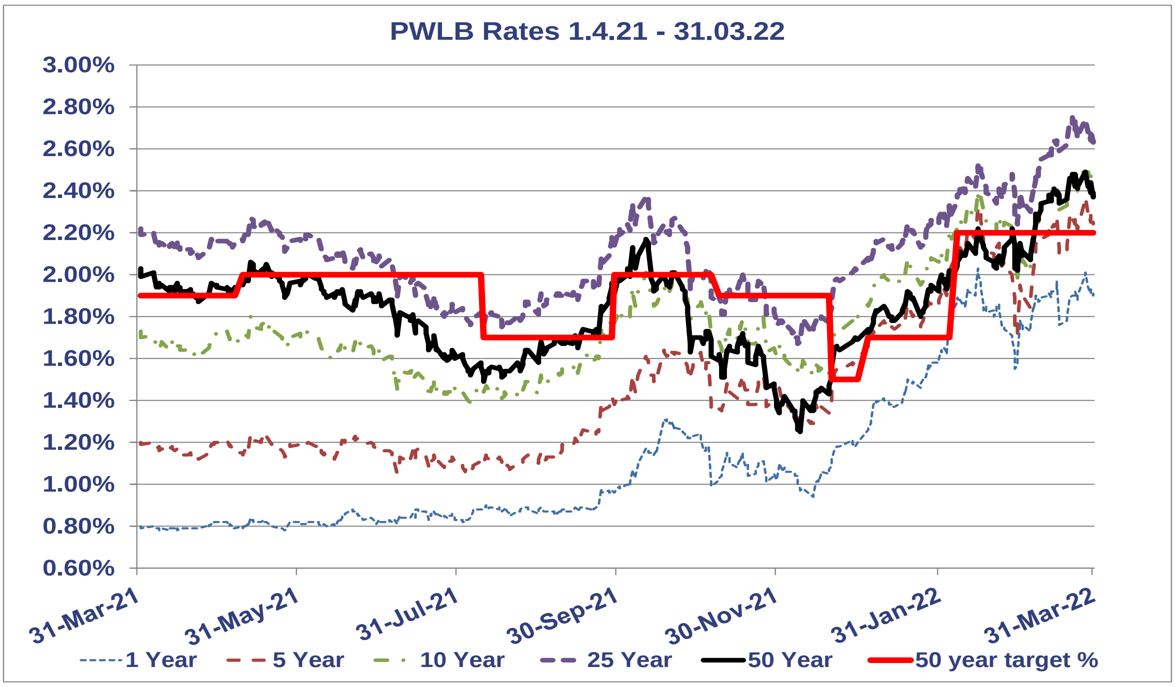
2.4. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

2.5. Against this background and the risks within the economic forecast, caution was adopted with the Treasury operations. The Treasury team monitored interest rates in financial markets and adopted a pragmatic strategy based on the following principle to manage interest rate risks:

- During 2021/22, until the Russian invasion of Ukraine, it had been felt that there was a limited risk of a significant change in long and short term rates. Therefore, it was decided to postpone the draw down of further long-term General Fund or HRA, to minimise these additional debt holding costs.

2.6. Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2021/22 and the two subsequent financial years. Internal, variable, or short-term rates, were expected to be the cheaper form of borrowing over the period, until well in to the second half of 2021/22.

Link Group Interest Rate View	10.8.21										
	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.25	0.25	0.25	0.50
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.30	0.30	0.30	0.50
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.20	0.30	0.40	0.50	0.50
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.70
5 yr PWLB	1.20	1.20	1.20	1.30	1.30	1.30	1.40	1.40	1.40	1.50	1.50
10 yr PWLB	1.60	1.60	1.70	1.70	1.80	1.80	1.90	1.90	1.90	2.00	2.00
25 yr PWLB	1.90	2.00	2.10	2.20	2.30	2.30	2.30	2.40	2.40	2.40	2.50
50 yr PWLB	1.70	1.80	1.90	2.00	2.10	2.10	2.10	2.20	2.20	2.20	2.30



2.7. PWLB rates are based on, and are determined by, gilt (UK Government bonds) yields through H.M.Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have seen, over the last two years, many bond yields up to 10 years in the Eurozone turn negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. Recently, yields have risen since the turn of the year on the back of global inflation concerns.

2.8. Gilt yields fell sharply from the spring of 2021 through to September and then spiked back up before falling again through December. However, by January sentiment had well and truly changed, as markets became focussed on the embedded nature of inflation, spurred on by a broader opening of economies post the pandemic, and rising commodity and food prices resulting from the Russian invasion of Ukraine.

2.9. At the close of the day on 31 March 2022, all gilt yields from 1 to 5 years were between 1.11% – 1.45% while the 10-year and 25-year yields were at 1.63% and 1.84%.

2.10. Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows:

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

2.11. There is likely to be a further rise in short dated gilt yields and PWLB rates over the next three years as Bank Rate is forecast to rise from 0.75% in March 2022 to 1.25% later this year, with upside risk likely if the economy proves resilient in the light of the cost-of-living squeeze. Medium to long dated yields are driven primarily by inflation concerns but the Bank of England is also embarking on a process of Quantitative Tightening when Bank Rate hits 1%, whereby the Bank's £895bn stock of gilt and corporate bonds will be sold back into the market over several years. The impact this policy will have on the market pricing of gilts, while issuance is markedly increasing, was an unknown at the end of the financial year.

3. Borrowing Outturn

3.1. **Borrowing** – Due to the Crewe Lane housing joint venture, £60 million of new PWLB was undertaken in 2021/22

3.2. The total PWLB borrowing is shown in the table below, including the new loans. While there is no naturally maturing HRA debt until 2053, the £60 million of housing joint venture loans were for periods not exceeding 5.5 years.

PWLB Loan No.	Fund	Start Date	Interest Rate	Balance 31 Mar 2022	Maturity Date
500847	HRA	28 Mar 2012	3.52%	£5,000,000	28 Mar 2053
500840	HRA	28 Mar 2012	3.52%	£8,000,000	28 Mar 2053
500846	HRA	28 Mar 2012	3.51%	£5,000,000	28 Mar 2054
500843	HRA	28 Mar 2012	3.51%	£8,000,000	28 Mar 2054
500835	HRA	28 Mar 2012	3.51%	£5,000,000	28 Mar 2055
500844	HRA	28 Mar 2012	3.51%	£8,000,000	28 Mar 2055
500852	HRA	28 Mar 2012	3.51%	£5,000,000	28 Mar 2056
500839	HRA	28 Mar 2012	3.51%	£8,000,000	28 Mar 2056
500854	HRA	28 Mar 2012	3.50%	£5,000,000	28 Mar 2057
500845	HRA	28 Mar 2012	3.50%	£8,000,000	28 Mar 2057
500837	HRA	28 Mar 2012	3.50%	£5,000,000	28 Mar 2058
500838	HRA	28 Mar 2012	3.50%	£8,000,000	28 Mar 2058
500850	HRA	28 Mar 2012	3.50%	£5,000,000	28 Mar 2059
500853	HRA	28 Mar 2012	3.50%	£8,000,000	28 Mar 2059
500849	HRA	28 Mar 2012	3.49%	£5,000,000	28 Mar 2060
500851	HRA	28 Mar 2012	3.49%	£8,000,000	28 Mar 2060
500848	HRA	28 Mar 2012	3.49%	£5,000,000	28 Mar 2061
500841	HRA	28 Mar 2012	3.49%	£8,000,000	28 Mar 2061
500836	HRA	28 Mar 2012	3.48%	£8,000,000	28 Mar 2062
500842	HRA	28 Mar 2012	3.48%	£11,157,000	28 Mar 2062
113015	GF	16 Sep 2019	1.84%	£12,000,000	28 Aug 2059
385189	GF	05 Aug 2021	1.10%	£15,000,000	04 Feb 2027
385191	GF	05 Aug 2021	1.06%	£15,000,000	04 Aug 2026
385193	GF	05 Aug 2021	1.03%	£10,000,000	04 Jan 2026
385195	GF	05 Aug 2021	0.96%	£10,000,000	04 Feb 2025
499722	GF	31 Mar 2022	2.20%	£5,000,000	31 Jul 2025
499725	GF	31 Mar 2022	2.02%	£5,000,000	30 Sep 2023
				£208,157,000	

3.3. **Rescheduling** - No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling economically unviable. This had been expected to remain the case for several years but recently rising interest rates mean that this will be kept under review.

3.4. **Summary of debt transactions** – The £208.157m debt portfolio had an average interest rate of 2.75%, which took advantage of historically low PWLB rates for the new debt taken during 2021/22. The HRA loans relating to the Self-Financing borrowing incurred in 2011/12 have a 3.50% average rate. The debt incurred £5.329m interest in cash terms during the year, of which £4.766m was charged to the HRA. The full year interest cost of the General Fund loans in 2022/23 will be £0.955m, an average interest rate of 1.33%.

3.5. **Borrowing in advance of need** - The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

4. Investment Outturn

4.1. **Investment Policy** – the Council’s investment policy is governed by DLUHC investment guidance, which has been implemented in the annual investment strategy approved by the Council on 24 February 2021, following Executive on 11 February 2021. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices, etc.).

4.2. The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

4.3. **Resources** – the Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as below, showing an increase of £9.628 million (11.7%):

Balance Sheet Resources	31/3/21 £'000	31/3/22 £'000	Movement £'000
Balances (GF, Collection Fund)	-5,250	2,342	7,592
Balances (HRA)	7,507	7,701	194
Earmarked reserves / other balances	67,309	69,999	2,690
Provisions	5,656	4,235	-1,421
Capital Receipts Reserve	7,257	7,830	573
Total	**82,479**	**92,107**	**9,628**

4.4. **Investments held by the Council**

- The Council maintained an average balance of £73.7m of internally managed funds.
- The internally managed funds earned an average rate of return of 0.71%.
- The comparable performance indicator is the average 7-day and up to 3-months LIBID rate, which was 0.07%; the equivalent SONIA rate was 0.09% from January 2022.
- This compares with a latest budget assumption of £78.8m investment balances earning an average rate of 0.55%.
- Investment income excluding housing joint venture interest was £522,500, compared to a latest budget of £429,700.
- During 2021/22 the Council made investments of £558.484m and had repayments of £537.379m, a net increase of £21.104m, partly due to a £10m PWLB loan being held overnight on 31 March 2022 before being lent to the housing joint venture on 1 April 2022 (see also paragraph 8.4).

4.5. **Investments held by fund managers**

Until September 2021 the Council used two external fund managers to invest part of its cash balances. The performance of the managers (capital movement and dividend) against the benchmark FTSE All-Share return was:

Fund Manager	Investment held (nominal) £'000	Return to divest	Benchmark to divest
Columbia Threadneedle	3,000	9.2%	4.6%
Royal London	3,000	5.9%	4.6%
Total	**6,000**	**7.6%**	**4.6%**

4.6. Following the large capital losses incurred during 2019/20 position, and the reversals in 2020/21 of unrealised capital gains of £1.3m, the stock market made suffient improvement during the first half of the year to be able to divest of these equity funds (with their fossil fuel exposure) and realise an actual net capital gain of £0.406m, as shown below:

Fund Manager	Balance at 31/3/21 £'000	Dividend 21/22 £'000	Gain £'000	Balance at 31/3/22 £'000
Columbia Threadneedle	3,357	85	252	-
Royal London	3,284	58	154	-
Total	**6,641**	**143**	**406**	**-**

4.7. The Council is now fully divested of corporate equity funds. Given the amount of planned borrowing required to support the capital programme, it is not expected that the Council will be looking to invest in other equity funds in the medium term.

5. Other Issues

5.1. **Non-treasury management investments**. These predominantly include long-term debtors, where the borrower repays interest in addition to the principal lent to them. All interest rates are above “soft loan” rates (defined as preferential terms below normal ‘market’ rates). During 2021/22 the Council made new long-term loans for capital purposes of £100,000. Details of these loans and the due diligence taken is outlined in the Statement of Accounts 2021/22; none have required impairment under the IFRS 9 ECL model. The purpose of these loans is to stimulate economic development in the District rather than an overriding purpose of income generation, which is a minor consideration with these loans.

6. Capital expenditure and financing

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

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council’s borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

6.2. The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure of £99.181m and how this was financed, with a total of £74.404m being unfunded, i.e. subject to borrowing.

Capital expenditure	2020/21 Actual £'000	2021/22 Budget £'000	2021/22 Actual £'000
General Fund	11,275	17,515	12,985
HRA	33,135	59,533	36,096
Non-financial investments (long-term loans to third parties)*	350	100	50,100
Total (A)	**44,760**	**77,148**	**99,181**

* The Council has not made any ‘commercial activities’ where yield is the primary purpose. These loans are primarily for housing purposes.

Financing of capital expenditure	2020/21 Actual £'000	2021/22 Budget £'000	2021/22 Actual £'000
Capital receipts	815	1,761	2,960
Capital grants and contributions	5,215	20,963	9,814
Reserves	9,528	15,565	11,188
Revenue contributions	422	782	815
Subtotal (B)	**15,980**	**39,070**	**24,777**
Net borrowing need for the year (A – B)	**28,780**	**38,078**	**74,404**

7. Treasury limits and prudential indicators

7.1. The Prudential Capital Finance system, introduced in 2004, is regulated by a number of 'Prudential Indicators', a number of which are relevant for treasury management purposes and are included in the Annual Strategy Report. The table below shows the 2021/22 outturn against the budget and previous year's budget:

Prudential Indicators (1)	2020/21 Actual £'000	2021/22 Budget £'000	2021/22 Actual £'000
Authorised Limit for External Debt			
Borrowing	283,907	308,515	308,515
Other Long term Liabilities	1,012	1,000	1,000
Total	**284,919**	**309,515**	**309,515**
Operational Boundary for External Debt			
Borrowing	261,907	286,515	286,515
Other Long term Liabilities	1,012	1,000	1,000
Total	**262,919**	**287,515**	**287,515**
Actual External Debt at Year End			
Long Term Borrowing	148,157	263,157	208,157
Long Term Liabilities	12	1,000	0
Total	**148,169**	**264,157**	**208,157**

7.2. Due to the delay in some capital expenditure and the deferral of existing borrowing requirements, actual external debt did not increase during the year and did not exceed either the Authorised Limit or the Operational Boundary.

Prudential Indicators (2)	**2020/21 Actual £'000**	**2021/22 Budget £'000**	**2021/22 Actual £'000**
Actual Capital Expenditure for Year			
General Fund	8,201	17,615	63,085
Housing Revenue Account	20,183	59,533	36,096
Overall	**28,384**	**77,148**	**99,181**

Capital Financing Requirement			
General Fund	23,836	78,190	80,229
Housing Revenue Account	161,160	194,539	178,926
Total CFR	**184,996**	**272,728**	**259,155**
Gross borrowing position	148,169	264,157	208,157
Under (-) / over funding of CFR	-36,827	-8,571	-50,998

7.3. The under funding of £50.998m represents borrowing for capital expenditure already incurred that has not yet been taken, relying on 'internal borrowing'.

Prudential Indicators (3)	**2020/21 Actual %**	**2021/22 Budget %**	**2021/22 Actual %**
Financing Costs as a % of Net Revenue Stream			
General Fund	-0.31%	3.06%	-10.80%
Housing Revenue Account	39.01%	44.63%	*41.57%*
Overall	**17.53%**	**28.82%**	***25.49%***

7.4. The General Fund borrowed for the housing joint venture (JV), albeit at low interest rates, but the income from the JV have reduced net financing costs. No new HRA borrowing took place in the year, resulting in the actual financing costs being lower than budgeted.

7.5. The indicators were complied with, as the external borrowing outstanding at the year-end was the £136.157m PWLB debt in respect of the 2012 HRA Self Financing, £12m General Fund PWLB debt from 2019 for expenditure on leisure centres and the new £60m for the housing JV. This debt is all fixed rate, maturing as shown in paragraph 3.2 above, and within indicators shown above.

7.6. Below are the indicators relating to borrowing:

Upper limit to fixed interest rate and variable interest rate exposures

Exposure limits	**Strategy Report**	**Actual**
Upper Limit Fixed Rate	100%	100%
Upper Limit Variable Rate	30%	30%

Upper and lower limits respectively for the maturity structure of borrowing

Strategy 2021/22	Fixed		Variable	
Period	**Upper**	**Lower**	**Upper**	**Lower**
Under 12 months	20%	0%	100%	0%
12 months and within 24 months	20%	0%	100%	0%
24 months and within 5 years	20%	0%	100%	0%
5 years and within 10 years	20%	0%	100%	0%
10 years and above	100%	0%	n/a	n/a

7.7. The final indicator monitors the amount invested for periods longer than 365 days which in 2021/22 was set at 70% of the investment portfolio subject to a maximum of £30 million at any one time. During 2021/22 the Council entered into no investments for 365 days or over, assuring compliance with the indicator.

8. Annual investment strategy and investment performance

8.1. The Government guidance on local government investments requires the production of an Annual Investment Strategy that includes an outline of the investment vehicles that the Council would use and separates them off into Specified and Non-Specified investments. The 2021/22 Annual Investment Strategy was approved in February 2021, as part of the 2021/22 Annual Treasury Mnanagement Strategy report.

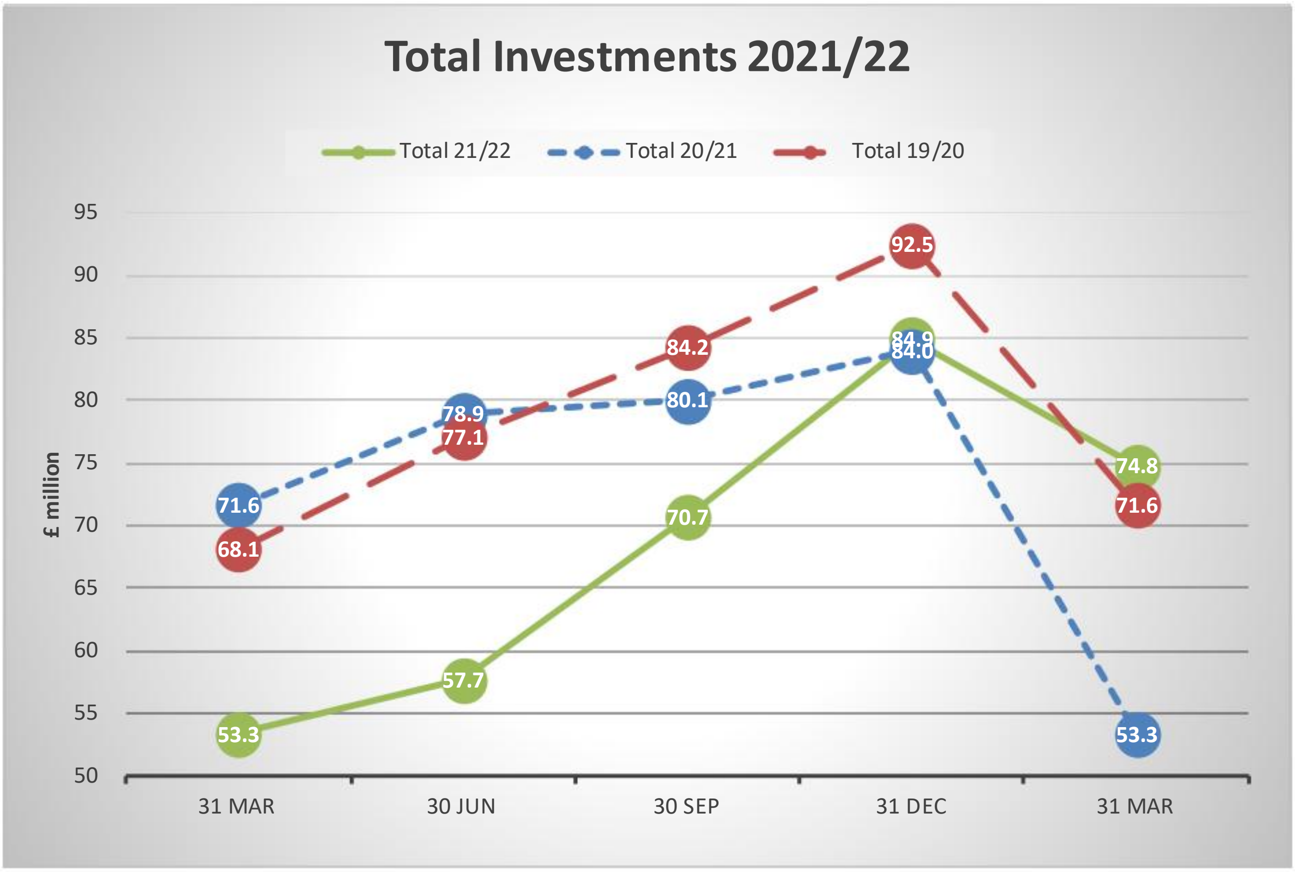
8.2. The in-house function has invested the Council's cash funds in fixed term money market deposits, equity funds and Money Market Funds. No Corporate Bonds or Certificates of Deposit (CD's) were used during 2021/22, and the equity funds were divested. The table below illustrates the performance for the year of the in-house function for each category invested in, the Benchmark utilising SONIA for the second half of the year, which has resulted in returns 'under-performing' more that would otherwise have been the case using LIBID. SONIA will replace LIBID in future treasury strategies.

Vehicle	Return (annualised) £'000	Benchmark (annualised) £'000	Perform -ance £'000
Money Markets	21.4	10.6	10.8
Money Market Funds	5.4	38.5	-33.0
Call Accounts	6.5	8.1	-1.6
Total	**33.4**	**57.2**	**-23.8**

8.3. For more detail breakdown please refer to the second half year Treasury Management report.

8.4. The graph below shows how the total of the Council's investments varies through the year according to its cash flows, comparing 2021/22 (green solid line) with the previous two years (2020/21 blue short dashes, 2019/20 red long dashes,). It shows that during the first half of the financial year (April to September) the Council's investments were below the previous two years, but then rose to match the 2020/21 levels, ending the year above the previous two years. In part this is due to the final £10m from the PWLB being borrowed on 31 March 2022 and being invested overnight, before being lent to the housing joint venture on 1 April 2022.

8.5. Due to the relatively high level of investments and the 'cost of carry' for taking new PWLB loans to finance capital expenditure, the Council has continued to utilise internal borrowing, as outlined earlier.



9. Equity Funds

9.1. The two equity funds commenced in April 2017, each with a £3m nominal balance. Paragraphs 4.5 to 4.7 show the returns for 2021/22 and details of the divestment for these funds. The half-year treasury management report to this meeting has more details on these funds.

Fund	Value of Fund 31 Mar 22 £'000	Value of Fund 31 Mar 21 £'000
Royal London UK Equity Fund	-	3,597.4
Columbia Threadneedle UK Equity Income Fund	-	3,657.3
Total Equity Funds	**-**	**7,254.6**

10. Performance measurement

10.1. In addition to the in-house local benchmarks referred to in this document the Council participates in the Link Group Investment Benchmarking Club. This benchmarks the investment returns and also the maturity and credit risk inherent in the portfolio. The Council is part of a local group which consists of district and county councils and this Council's performance over the past year is reflected in the tables below:

Table A - Weighted Average Rate of Return (WARoR)

10.2. Table A shows that the Council's average return was above Link Group model portfolio rate of return and below with the local group in the first three quarters, before being slightly above in the final quarter, based on the risk in its portfolio.

	WDC WARoR %	Local Group WARoR %	Link Asset Services Model WARoR %	Performance against Link Asset Services Model Band
June Quarter	0.12	0.27	0.09	Inline
September Quarter	0.14	0.22	0.08	Above
December Quarter	0.14	0.26	0.09	Above
March Quarter	0.50	0.47	0.42	Inline
Average for Year	**0.23**	**0.31**	**0.17**	

10.3. There was a slightly higher average credit risk taken in this Council's portfolio, as shown below.

Table B - Weighted Average Credit Risk

	WDC	Local Group
June Quarter	2.46	2.60
September Quarter	2.78	2.64
December Quarter	2.77	2.81
March Quarter	3.03	2.59
Average for Year	**2.76**	**2.66**

10.4. This benchmark measures the average credit risk in the portfolio according to the institutions invested in and corresponds to the duration limits in Link Group's suggested credit methodology using a sliding scale of 1 to 7 where 1 indicates the least risk of default.

11. External treasury management advisers

11.1. Link Group continues to provide our Treasury Management Advisory service.

Glossary of Treasury Management related terms

LAS: Link Asset Services, Treasury Solutions – the Council's treasury management advisers.

CE: Capital Economics - is the economics consultancy that provides Link Asset Services, Treasury solutions, with independent economic forecasts, briefings and research.

CFR: Capital Financing Requirement - the Council's annual underlying borrowing need to finance capital expenditure and a measure of the Council's total outstanding indebtedness.

CIPFA: Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

CNAV: Constant Net Asset Value refers to funds that use amortised cost accounting to value all of their assets. They aim to maintain a Net Asset Value (NAV), or value of a share of the fund, at £1 (or currency equivalent) unless mark-to-market pricing of underlying assets moves outside of stipulated boundaries, and calculate their price to 2 decimal places, known as 'penny rounding'. Typical examples of such funds are government Money Market Funds.

COVID-19: a highly infectious respiratory disease caused by a new coronavirus. The disease was discovered in China in December 2019 and then spread around the world to become a pandemic, causing an unprecedented public health crisis and major economic impacts.

CPI: Consumer Price Index – the official measure of inflation adopted as a common standard by countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

ECB: European Central Bank - the central bank for the Eurozone

EU: European Union

EZ: Eurozone -those countries in the EU which use the euro as their currency

Fed: The Federal Reserve System, often referred to simply as "the Fed," is the central bank of the United States. It was created by the Congress to provide the nation with a stable monetary and financial system.

Financial Instruments Revaluation Reserve: IFRS 9 'Financial Instruments – earmarking of gains not available to fund services' specifies that balances in the General Fund (or HRA balance) relating to unrealised, or volatile, gains from financial instruments classified as 'fair value through profit or loss' should be earmarked and not regarded as available to fund services. The Financial Instruments Revaluation Reserve (FIRR) holds the ciuumulative value of such gains or losses.

FOMC: The Federal Open Market Committee – this is the branch of the Federal Reserve Board which determines monetary policy in the USA by setting interest rates and determining quantitative easing policy. It is composed of 12 members--the seven members of the Board of Governors and five of the 12 Reserve Bank presidents.

FTSE: The Financial Times Stock Exchange, now known as FTSE Russell Group, is a British financial organization that specializes in providing index offerings for the global financial markets Informally known as the "Footsie".

GDP: Gross Domestic Product – a measure of the growth and total size of the economy.

G7: The group of seven countries that form an informal bloc of industrialised democracies - United States, Canada, France, Germany, Italy, Japan, and United Kingdom - that meets annually to discuss issues such as global economic governance, international security, and energy policy.

Gilts: Gilts are bonds issued by the UK Government to borrow money on the financial markets. Interest paid by the Government on gilts is called a coupon and is at a rate that is fixed for the duration until maturity of the gilt, (unless a gilt is index linked to inflation); while the coupon rate is fixed, the yields will change inversely to the price of gilts i.e. a rise in the price of a gilt will mean that its yield will fall.

HRA: Housing Revenue Account.

IFRS: International Financial Reporting Standard.

IMF: International Monetary Fund - the lender of last resort for national governments which get into financial difficulties.

LIBID: The London Inter Bank Bid Rate is the rate bid by banks on deposits i.e., the rate at which a bank is willing to borrow from other banks. It is the "other end" of the **LIBOR** (an offered, hence "ask" rate, the rate at which a bank will lend).

LIBOR: The London Inter Bank Offered Rate is the interest rate at which banks offer to lend funds (wholesale money) to one another in the international interbank market. It is a key benchmark rate that reflects how much it costs banks to borrow from each other but in the UK it was replaced by SONIA during 2021/22. Outside the London markey this is referred to as IBOR.

LVNAV: Low Volatility Net Asset Value (LVNAV) Money Market Funds are short-term MMFs. Funds are primarily invested in money market instruments, deposits and other short-term assets. Units in the fund are purchased or redeemed at a constant price so long as the value of the underlying assets do not deviate by more than 0.2% (20bps) from par (i.e. 1.00).

MHCLG: The Ministry of Housing, Communities and Local Government -the Government department that directs local authorities in England.

MPC: The Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.

MRP: Minimum Revenue Provision -a statutory annual minimum revenue charge to reduce the total outstanding CFR, (the total indebtedness of a local authority).

PWLB: Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

QE: Quantitative Easing – is an unconventional form of monetary policy where a central bank creates new money electronically to buy financial assets, such as government bonds, (but may also include corporate bonds). This process aims to stimulate economic growth through increased private sector spending in the economy and also aims to return inflation to target. These purchases increase the supply of liquidity to the economy; this policy is employed when lowering interest rates has failed to stimulate economic growth to an acceptable level and to lift inflation to target. Once QE has achieved its objectives of stimulating growth and inflation, QE will be reversed by selling the bonds the central bank had previously purchased, or by not replacing debt that it held which matures. The aim of this reversal is to ensure that inflation does not exceed its target once the economy recovers from a sustained period of depressed growth and inflation. Economic growth, and increases in inflation, may threaten to gather too much momentum if action is not taken to 'cool' the economy.

RPI: The Retail Price Index is a measure of inflation that measures the change in the cost of a representative sample of retail goods and services. It was the UK standard for measurement of inflation until the UK changed to using the EU standard measure of inflation – CPI. The main differences between RPI and CPI is in the way that housing costs are treated and that the former is an arithmetical mean whereas the latter is a geometric mean. RPI is often higher than CPI for these reasons.

SONIA: Sterling Over Night Index Average is the effective reference for overnight indexed swaps for unsecured transactions in the Sterling market. The SONIA itself is a risk-free rate. Unlike LIBOR it is backward looking measure.

TMSS: The annual treasury management strategy statement reports that all local authorities are required to submit for approval by the full Council before the start of each financial year.

VNAV: While CNAV and LVNAV funds use amortised cost accounting to value most or all of their assets, Variable Net Asset Value (VNAV) funds use mark-to-market pricing, meaning the unit price will change in light of changes to mark-to-market valuation of underlying assets, and dealing prices for VNAV funds are rounded to four decimal places. All funds except select types of Money Market Funds are priced on this basis.

VRP: A Voluntary Revenue Provision to repay debt, in the annual budget, which is additional to the annual MRP charge (see above definition).

Report Information Sheet

Committee / Date	Overview & Scrutiny Committee 28 September 2022
Title of report	Annual Treasury Management Report 2021/22

Officer / Councillor Approval *required	**Date**	**Name**
Ward Members(s)		N/A
Portfolio Holder	7/9/22	Richard Hales
Financial Services *		
Legal Services (*SDC)		
Other Services		
Chief Executive(s)	7/9/22	Andy Jones
Head of Services(s)*		
Section 151 Officer		Andrew Rollins
Monitoring Officer		
CMT (WDC)		No other responses
Leadership Co-ordination Group (WDC)		
Other organisations		N/A

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

Advance questions and answers on reports on the O&S agenda 28 September 2022

Item 05 – Development Management and Enforcement Performance Update

Question(s) from Councillor Syson:

1. Do you have a timescale attached to the different elements of this? I also assume you would need additional financial resources as you talk about a new back-office system and the digitizing of microfiche records.
2. How much stress and/or time would this save staff - should we as Councillors be more proactive in supporting such a request?

Response:
Many thanks for your comments and support on this.

In response to your questions, I would advise that most of the items listed as key elements of the Service Improvement plan are currently underway. In particular, there is a budget for the replacement of the back-office system and we're now embarking on the project to procure and implement a new system within the next 2 years. We need to ensure that the system that we choose is the right one for us, and I'm sure that you'll appreciate that this is a resource heavy project which we'll be running alongside the regular "day job".

The digitising of office records is part of a wider corporate project which we're commencing at the moment and for which I understand that there will be corporate funding available.

We think that both of these projects along with the other Service Improvement Plan measures will, in the longer term offer significant efficiency savings for the Team and member support would be very much appreciated in that regard.

I hope the above is helpful as a further response but do let me know if you'd like further information.

Question(s) from Councillor Quinney:
Regarding the persistent recruitment and retention issues two questions:

1. Do we undertake leaving interviews? If so, what is the feedback? If not, can we start doing so?
2. Have the planning team been surveyed recently about what pleases/concerns them most about their jobs and what improvements they would prioritise?

Response:
In response to your questions, I would advise that yes we always undertaken exit interviews. Whilst it's not possible to generalise on all of the feedback that we get, 2 recurrent themes are the extent of workload and renumeration levels.

Workload levels is also the most repeated recurring theme amongst existing staff and the area that consistently comes up as an issue in 1-1s.

As indicated in the report for tomorrow's meeting, a recruitment and retention strategy is part of our Service Improvement Plan with work progressing on the use of market supplements as part of that. As also indicated in the report, in response to the earlier uplift in planning applications received, we are currently operating with an increased number of (temporary) Officers to address that, and so at present colleagues feel that the balance between resourcing and workload is about right.

I hope the above is helpful as a quick summary but please do let me know if you'd like further information.

Item 06 – Treasury Management Activity Report

Question(s) from Councillor Syson:
2.1 states you are looking at what has happened over the last 6 months but in fact it is looking at what happened starting near enough a year ago from 1 October 2021.

When should we expect to know how we have done in the first 6 months of this financial year, please?

Response:
As the report is looking at the period 1st Oct to 31st March, as I write the report I am in theory still in March and therefore that's why it says 'over the last 6 months'. However, I can change the wording for the future ones to make this clearer. Thank you for pointing this out. The report for the first half of this financial year to Audit & Standards Committee (moving from O&S to A&S) will hopefully be 22nd November as that is the next meeting date.

Question(s) from Councillor Milton:

1. In Section 1 of Appendix A, the interest rates forecast are already out of date given recent rises. When would this be reviewed and what are the expected impacts of the current rate environment?
2. How will our strategy to mitigate risk need to be adjusted given the negative impact of central government action on the economic picture following last week's mini budget?

Response:
Further to the O&S Chair's Briefing this morning I confirm that (a) these Treasury management reports are backward looking so the interest rate forecasts are those relevant to the last financial year, and have to be written without reference to subsequent events and (b) strategies to mitigate interest risk (borrowing and investment) in the current financial year are being managed as part of the Treasury function, using latest advice and forecasts from sources including the Council's treasury advisers – Link Group – and that the new TM Strategy for 2023/24 will allow members to consider their risk appetite in terms of the strategy for the next financial year, taking account of the borrowing requirements for existing capital commitments and new capital schemes.