



# EAST CAMBRIDGESHIRE DISTRICT COUNCIL

THE GRANGE, NUTHOLT LANE,  
ELY, CAMBRIDGESHIRE CB7 4EE  
Telephone: 01353 665555

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## NOTICE OF MEETING

**NOTICE IS HEREBY GIVEN** that a meeting of the **EAST CAMBRIDGESHIRE DISTRICT COUNCIL** will be held at **THE MALTINGS, SHIP LANE, ELY, CB7 4BB**, ON **TUESDAY 22 FEBRUARY 2022** commencing at **6.00pm** with up to 15 minutes of Public Question Time, immediately followed by the formal business, and you are summoned to attend for the transaction of the following business:

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## AGENDA

1. **PUBLIC QUESTION TIME** **[oral]**  
The meeting will commence with up to 15 minutes Public Question Time
2. **APOLOGIES FOR ABSENCE** **[oral]**
3. **DECLARATIONS OF INTEREST** **[oral]**  
To receive declarations of interest from Members for any items on the Agenda in accordance with the Members Code of Conduct
4. **MINUTES – 21 OCTOBER 2021**  
To confirm as a correct record
5. **CHAIRMAN'S ANNOUNCEMENTS** **[oral]**
6. **TO RECEIVE PETITIONS (IF ANY)** **[oral]**
7. **NOTICE OF MOTIONS UNDER PROCEDURE RULE 10** **[oral]**
  - (i) Adherence to COVID-19 Public Health Regulations and Guidance

Council notes the exemplary behaviour of East Cambridgeshire residents in respecting and abiding by COVID-19 rules since March 2020, particularly during periods of lockdown, as well as the excellent community spirit demonstrated by volunteers helping those most in need.

Cambridgeshire recorded one of the lowest rates for the number of fixed penalty notices (FPNs) issued for breaking COVID-19 rules in England with a rate of 111 FPNs issued per 100,000 people between 27 March 2020 and 19 December 2021.

Council believes that all of those in public office, particularly during a public health pandemic, have a responsibility to provide leadership in both the promotion and demonstration of adherence to the law and to guidance from health professionals.

Council shares the severe disappointment of many East Cambridgeshire residents that this leadership and responsibility has not been demonstrated by Prime Minister Boris Johnson.

While residents of the district obeyed the lockdown rules, often at huge personal cost, missing funerals, cancelling weddings and saying goodbye to dying loved ones on video calls, the Prime Minister was acting as if the rules did not apply to him.

Council affirms its commitment to continue to demonstrate leadership in adherence to the law and to guidance from health professionals, as well as to promoting that approach to the residents of East Cambridgeshire.

Proposer: Cllr Mark Inskip  
Secunder: Cllr Simon Harries

- 8. TO ANSWER QUESTIONS FROM MEMBERS (IF ANY) [oral]**
- 9. PAY POLICY STATEMENT 2022/23**
- 10. SCHEDULE OF ITEMS RECOMMENDED FROM COMMITTEES AND OTHER MEMBER BODIES:**
  - PSAA - Appointment of External Audit
  - Treasury Operations Mid-Year Review
  - Local Council Tax Reduction Scheme (LCTRS) 2022/23
  - 2022/23 Annual Treasury Management Strategy, Minimum Revenue Provision (MRP) Policy Statement and Annual Investment Strategy (AIS)
- 11. 2022/23 COUNCIL TAX, REVENUE BUDGET AND CAPITAL STRATEGY**

*In accordance with The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014, there is a statutory requirement for a recorded vote to be taken on the Budget each year.*
- 12. AMENDMENTS TO THE CONSTITUTION**
- 13. CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY UPDATE REPORTS**

**October to December 2021**
- 14. ACTION TAKEN BY THE CHIEF EXECUTIVE ON THE GROUNDS OF URGENCY**



**J Hill**  
**Chief Executive**

To: All Members of the Council

## NOTES:

1. Members of the public are welcome to attend this meeting. Admittance is on a "first come, first served" basis and public access will be from 30 minutes before the start time of the meeting. Due to Covid-related room capacity restrictions, members of the public are asked, where possible, to notify Democratic Services ([democratic.services@eastcambs.gov.uk](mailto:democratic.services@eastcambs.gov.uk) or 01353 665555) of their intention to attend a meeting.

Public Questions/Statements are welcomed on any topic related to the Council's functions as long as there is no suspicion that it is improper (e.g. offensive, slanderous or might lead to disclosures of Exempt or Confidential information). Up to 15 minutes is allocated for this at the start of the meeting. Further details about the Public Question Time scheme are available at:

<https://www.eastcambs.gov.uk/committees/public-question-time-scheme>

The Council has adopted a 'Purge on Plastics' strategy and is working towards the removal of all consumer single-use plastics in our workplace. Therefore, we would ask members of the public to bring their own drink to the meeting, if required.

2. There will be an announcement at the start of the meeting regarding the procedure to follow should the fire alarm sound during the meeting.
3. Reports are attached for each agenda item unless marked "oral".
4. If required all items on the agenda can be provided in different formats (e.g. large type, Braille or audio tape, or translated into other languages), on request, by calling Main Reception on (01353) 665555 or e-mail:  
[translate@eastcambs.gov.uk](mailto:translate@eastcambs.gov.uk)
5. If the Committee wishes to exclude the public and press from the meeting, a resolution in the following terms will need to be passed:

"That the press and public be excluded during the consideration of the remaining item no(s). X because it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during the item(s) there would be disclosure to them of exempt information of Category X of Part I Schedule 12A to the Local Government Act 1972 (as amended)."



EAST  
CAMBRIDGESHIRE  
DISTRICT COUNCIL

**Agenda Item 4**

Minutes of a Meeting of  
East Cambridgeshire District Council held at  
Littleport Leisure Centre, Camel Road, Littleport,  
CB6 1EW on Thursday 21<sup>st</sup> October 2021  
at 6.00pm

**PRESENT**

Councillor Christine Ambrose Smith	Councillor Bill Hunt
Councillor David Ambrose Smith	Councillor Mark Inskip
Councillor Sue Austen	Councillor Alec Jones
Councillor Anna Bailey	Councillor Daniel Schumann
Councillor Ian Bovingdon	Councillor Alan Sharp (Chairman)
Councillor David Brown	Councillor Amy Starkey
Councillor Matthew Downey	Councillor Lisa Stubbs
Councillor Lorna Dupré	Councillor John Trapp
Councillor Lavinia Edwards	Councillor Paola Trimarco
Councillor Lis Every	Councillor Jo Webber
Councillor Mark Goldsack	Councillor Alison Whelan
Councillor Simon Harries	Councillor Christine Whelan
Councillor Julia Huffer	Councillor Gareth Wilson

Approximately 24 members of the public were in attendance at the meeting.

**32. PUBLIC QUESTION TIME**

At the invitation of the Chairman, three questions were asked by members of the public, which the Chairman referred to appropriate Council Members to respond to, and answers were given by those Council Members as detailed below:

**i) Question from Paul Farley:**

"I have been a resident of Stretham since 1986 when I left the Army, my wife Jennifer was born in and lived in Stretham her whole life, she has a long family connection to the village, her Grandfather was the last Porter at Stretham Railway Station. My daughter Laura, her partner and three children are resident in a CLT property on Manor Farm Stretham, hence my interest in the ongoing discussions concerning the future of CLTs.

Without the development of Manor Farm Laura would have been forced to leave the village of her birth to find suitable and affordable housing. Because of the CLT she has been able to remain in Stretham and her two children of school age attend the local primary school.

Many of the friends that she grew up with have had to leave Stretham due to the shortage of suitable and available housing. CLT's provide a valuable source of affordable housing enabling young families to remain in the villages where they grew up close to families/parents. The families can then provide support such as child care etc, without the CLTs life would be much more difficult for these young people who are the future guardians of village life.

I have followed the various discussions concerning the operation and future of CLTs, whilst doing so I have become increasingly concerned at the level of public vilification and harassment that Parish Councillors and CLT Trustees are subjected too, both at meetings and via social media including unwarranted and unfounded allegations of corruption. I am sure that councillors will agree that such harassment is unacceptable in any circumstances. If you were a young person considering becoming a Parish Councillor or Trustee of a local organisation and became aware of such harassment would you still put yourself forward?

It is my understanding that East Cambs District Council has no authority or legal power to dictate to or control the actions of the CLTs named in the motion, (I note that Haddenham has not been included and I suspect that this is for political reasons), therefore council time would be better spent on matters that fall under ECDC Finance and Assets matters which it can influence.

Question:

Will those conducting the review make an assessment of the public vilification and harassment of Parish Councillors and CLT Trustees and the purpose and intent behind it?"

**Response from the Leader of Council, Cllr Anna Bailey:**

Cllr Bailey thanked Mr Farley for his question and, given the level of public discourse to date, his willingness to attend and speak. She invited the Proposer and/or Seconder of the Motion at Agenda item 8 to respond at this point or in the later debate on the item.

**Response from the Proposer, Cllr Simon Harries:**

Cllr Harries stated that he would give a more detailed response in the debate on the Motion, but, in summary, his intention in proposing the review referred to in the Motion was to include all interested parties in the review and he would expect full submissions from both sides of the debate. The purpose of his proposal was to get all views out into the open in the interests of transparency and to start the process of healing within the communities in order to move forward.

**ii) Question from Graham James:**

"The following quotes are from the 2019 Lib Dem Election Manifesto:

People are struggling to afford good homes in the right location; house prices are too high and the possibility of owning a home seems remote for many people.

We will protect people from becoming victims of crime by focusing on what stops re-offending.

Our plan means more police, properly supported by the government and focused on the community policing that prevents crime and makes people feel safe.

A well functioning democracy should have a high standard of public debate in which citizens are supported, educated and empowered to distinguish between facts and lies; civility in public discourse is protected.

I am surprised that the paper on Community Land Trusts tabled by Councillors Dupré and Harries for today's meeting appears to be championing greater control and oversight by East Cambs District Council over local CLTs. Firstly, they are independent bodies set up under statute, registered and monitored by the Financial Service Authority. Secondly, based on previous comments by Lib Dem Councillors across social media, they have decried any support role for such groups from officers and elected members.

At the last election I voted for the Lib Dems but I do not see the attributes I listed from the Lib Dem Manifesto represented in the recent behaviour in Little Thetford where I was the Chair of the Parish Council and the CLT. I resigned owing to the threats and disruptive behaviour by a small minority of residents that I and fellow Councillors and Trustees suffered. In particular four ladies in the village (one of whom is my wife) received vile and nasty, targeted hate mail that were reported to the police as hate crimes and is being investigated as malicious communications.

In my view, whilst people in public life must remain open to legitimate question and criticism, neither they nor their families should be subject to the most horrendous abuse and intimidation.

My question is why you are allowing and encouraging Lib Dem ECDC Councillors to meet and embolden through comments on social media, a small minority of local people to spur them to become Rule and law breakers that has had a significant detrimental effect on the local community?"

**Response from Cllr Lorna Dupré:**

Cllr Dupré stated that she believed the question should be directed to Cllr Harries since she understood that he had been invited to meet with residents of Little Thetford.

**Response from Cllr Simon Harries:**

Cllr Harries stated that rather than championing increased oversight through the Motion he wanted the opposite. The Motion was about the relationship between CLTs and the Council; finding out what was happening at present and improving it for the future. He believed that CLTs should be independent and not subject to interference by the District Council. He stated his firm opposition to any cases of abuse and

his alarm at cliques forming within villages and old friends becoming enemies; all residents were from one community and as a District Councillor he hoped each community would find a way to come back together again. It was well known that he had spoken to residents from all four villages named in the CLT motion, and he stated that, in every case, the individuals had approached him. Prior to his election as an East Cambs District Councillor, he had been unaware of CLTs but had been introduced to them by investigating the situation in Kennett. Compared to other areas of the country, he considered that CLTs were run in a unique way in East Cambs and he had been contacted by residents in relation to Manor Farm (Stretham), Kennett and Little Thetford. He believed that communities should run their own affairs, not be led by himself or anyone else, he therefore wanted to understand the Council's role and relationship with local CLTs and to be confident that the interactions were right for the future.

**iii) Question from Domingo Negróni:**

“Councillor Harries is deliberately stoking animosity, especially with this spurious motion. Councillor Harries takes the work of NIMBYs and on the instruction of NIMBYs attacks like a rabid keyboard warrior, anyone attempting to champion CLTs, he does not bother to speak to the local people living in CLT homes, the only people he wants to hear from are those with vested interests. Councillor Harries does not have the intellectual capacity to challenge the merits of CLTs, he did not challenge the merits of the Little Thetford CLT, instead he engaged in slanders, smears, and character assassinations. Councillor Harries does not believe in fact finding, he believes in not letting the truth get in the way of a nasty tweet. Councillor Harries does not want to do real work when it is easier to inspire hate and division and keep people separated from the truth by liking slanders, sharing smears and posting hatchet jobs.

Will Cllr Harries apologise for his lies and malicious misrepresentations, to the residents of Little Thetford and to the outgoing CLT Trustees, and if not, will Cllr Dupré be ejecting him from the Liberal Democrat Group?”

**Response from Cllr Simon Harries:**

Cllr Harries stated that the questioner's allegations about him were untrue. He stated that he had questioned himself in response to recent accusations and was aware of his own faults, but he was not fomenting or inciting anything. The Motion had been drafted prior to the recent events concerning Little Thetford and was unrelated to them, although they highlighted the urgency of the need for a review in his opinion. It was clear that some villages had become painfully polarised on the issue of CLTs and he believed that it was important to ask why.

**33. APOLOGIES FOR ABSENCE**

Apologies were received from Cllrs Charlotte Cane and Joshua Schumann.

**34. DECLARATIONS OF INTEREST**

Declarations of Interest were made as follows regarding Agenda Item 8: Notice of Motions under Procedure Rule 10 – Community Land Trusts:

Cllr Anna Bailey – a Board Member of East Cambridgeshire CLT.

Cllr Gareth Wilson – a Trustee of Haddenham CLT.

Cllr Lisa Stubbs – a Board Member of East Cambridgeshire CLT.

**35. MINUTES – 15<sup>th</sup> JULY 2021**

Cllr Bailey requested a correction to a quote attributed to her on page 8 of the Minutes. There were no other comments or amendments.

It was resolved:

That, subject to the amendment of “commercially” to “commercial” in the first bullet point of the final paragraph on page 8 of Minute 27 Corporate Plan 2021-2023 (Updated), the Minutes of the Council meeting held on 15 July 2021 be confirmed as a correct record and be signed by the Chairman.

**36. CHAIRMAN’S ANNOUNCEMENTS**

The Chairman emphasised the importance of Members’ safety following the dreadful events of 15th October 2021 which resulted in the death of Sir David Amess MP. He drew their attention to the related guidance recently circulated by the Legal Services Manager.

**37. FORMER DISTRICT COUNCILLOR JOHN GIBB**

The Chairman informed Members of the death of former District Councillor John Gibb, Liberal Democrat Member for Dullingham from 1999 to 2003. Cllr Gareth Wilson delivered the following tribute:

*“John Gibb was the ultimate community politician. He seemed to know everyone in Dullingham and the surrounding villages and always worked hard for them. He never took ‘no’ for an answer when one of them needed help.*

*He served as their Councillor from 1999 to 2003 and chaired the Monitoring Panel for a year, ensuring that the Council was delivering high quality and cost-effective services. Before moving to Cambridgeshire John Gibb was County Councillor for the Thaxted Division in North Essex from 1993 to 1997.*

*He continued to be active in local politics until ill-health prevented him from activism. He will be sadly missed by all of us who knew him."*

A minute's silence then was observed as a mark of respect for former Councillor Gibb.

**38. SOHAM NORTH BY-ELECTION RESULT, PROPORTIONALITY & MEMBERSHIP OF COMMITTEES**

Council received a report (W82, previously circulated) noting the election of Cllr Mark Goldsack as a District Councillor for the Soham North Ward, and detailing the consequential changes to the Council's political proportionality and allocation of seats on Committees.

It was unanimously resolved:

That the election of Cllr Mark Goldsack as a District Councillor for the Soham North Ward, and the allocation of seats on Committees, etc, arising therefrom (detailed in Appendix 3 of the report), be noted.

**39. PETITIONS**

No public petitions had been received.

**40. MOTIONS**

**Community Land Trusts**

The following Motion was proposed by Cllr Simon Harries and seconded by Cllr Lorna Dupré:

This Council recognises the important role of Community Land Trusts across the world in holding land on behalf of a place-based community, while serving as a long-term steward for affordable housing and other community assets. This Council supports the principle that development should take place in partnership with local communities, and with their support.

This Council notes that the administration has made working in alliance with CLTs across the District, and setting up its own District-wide CLT, its preferred way of meeting the need for affordable housing in East Cambridgeshire.

The Council notes however that trust in CLTs among members of the general public has been damaged as a result of concerns expressed by

residents in Wilburton, Stretham, Kennett and most recently Little Thetford, related to:

- Some decisions and actions taken by CLTs in their villages, in particular concerning developments widely seen as not appropriate in scale or location for the communities in question;
- Worries that parish councils are being unduly influenced by CLT trustees, shown by the vote of no confidence in Wilburton and resignation en masse of councillors in Little Thetford;
- Further concerns about profits gained by landowners as result of choices made by CLTs.

The Council acknowledges its own responsibilities as a result of its public support to all these CLTs and believes that it is necessary to review the issues that have arisen in the four villages noted above. This review should have a specific focus on the relationship between ECDC and the CLTs in this district, to ensure that the involvement of CLTs as an integral part of council housing policy is seen as rational, safe and unambiguous, with an effective code of conduct in place. The following process for the review is proposed:

- a. Desk research, to review all relevant documents, to be provided by the CLTs in question.
- b. Written submissions, to be invited from residents in relevant villages and from landowners associated with the developments now being proposed.
- c. Interviews, to include a minimum of three trustees (or former trustees if none are in post now) from each CLT.
- d. Public meetings in each of the four villages, in which residents will be invited to provide feedback, evidence and views.

The review should be carried out by a politically proportional working group set up by the Finance & Assets Committee at their next meeting. This activity should be completed within three months of commencement and will report initially to the Finance & Assets Committee, and to Full Council directly afterwards.

In the meantime, no further CLT project-related financial commitments should be incurred by the Council or its companies until after the report, as defined in this motion, has been considered by Full Council.

Speaking as proposer of the Motion, Cllr Harries clarified that the purpose of the Motion was not to consider the principle of CLTs, their future role or their benefits/drawbacks. His intention in submitting the Motion was specifically to examine the relationship between East Cambs District Council and the local CLTs. Two statements had been made by the Administration, either in writing or verbally, which had troubled him when considered together: firstly, that the Council intended to use CLTs as the primary vehicle for delivering affordable housing and secondly, that CLTs were entirely independent. He questioned

how both statements could be accurate. He stated that the business plans of ECTC and the Council included housing delivery by the CLTs: if CLTs were truly independent then he would expect the language used by the Council to be more tentative. Concerns had been brought to him, independently, from Kennett, Wilburton, Stretham and Little Thetford, all claiming that Council representatives had suggested that the formation of a CLT would be the only way for local people to have a say in inevitable large developments. His Motion referenced how the Council acted, not how the CLTs acted. He believed that CLTs should be left alone to work within their communities and he asked Members to read the text of the Motion in order to understand the quick and simple internal process it was requesting. The proposal was to review what was currently happening and to establish clear ground rules for relationships for the future.

Speaking in support of the Motion, a Member detailed their experiences of working with a Housing Association and with a CLT and emphasised the importance of wide-spread and consistent community involvement for a successful CLT development. Haddenham CLT had successfully delivered 54 houses, 19 of which would be affordable homes in perpetuity, for a village of ~1600 houses. There had initially been opposition to the proposed sites, but early involvement and extensive consultations with local residents, a development of appropriate size to the village, and good communications throughout had resulted in a well-received development. Successful CLTs were better-placed than Council Officers to advise newer CLTs, and the proposed review was important in order to ensure that procedures were appropriate.

Responding to the previous two speakers, a Member said that the same CLT set-up process had applied in Kennett as in Haddenham and it was not surprising to find Parish and District Councillors involved in a variety of organisations for their communities. CLTs were run by local people for local people; they chose the land and the development partner and it could be an effective way to improve local amenities. The community had a long-term benefit due to the income the CLT received from rental homes, and the local people determined the occupation eligibility rules, thereby ensuring that local people benefitted from the scheme. The Member reported the experience of an acquaintance with a young family who had recently moved into a CLT property and this person had commented that it was their first experience of having a home rather than just a house. This was an example of how CLTs changed ordinary lives for the better and Members should listen to people whose lives had been improved by CLTs.

A Member highlighted that the Council had no control over CLTs and that CLTs were also separate from Parish Councils, but that it was common for people in a local community to belong to more than one community body, group, or club. The Council would continue to assist such individuals and groups, and individual Members would help residents in their Wards. CLTs were for the people and by the people, and everyone could join their village CLT and be a part of the process. The Member claimed that, if passed, the Motion would stop

the work of Haddenham CLT since it called for all CLT work to stop, and this would constitute improper interference. The CLT development at Manor Farm was highlighted as being excellent since affordable rents were usually considered to be approximately 80% of market rate whereas at Manor Farm they were approximately 60% and in late 2020 there had been a free month to help residents due to COVID difficulties. At no cost to the public purse, the cemetery had been extended and a doctors' surgery provided.

Continuing from the previous speaker, a Member spoke in support of the work of all CLTs and questioned whether all Members truly recognised the positive difference that CLTs made to the lives of individuals. Comments questioning the involvement of Parish Councillors were insulting to hard-working individuals across the District who worked tirelessly for their local communities and in accordance with their Code of Conduct. Regarding Little Thetford CLT, a public meeting had been held in February 2021 in relation to 33 proposed new homes in the village. Some residents wanted more control over the process and it was unsurprising that residents volunteering for roles were those who were active elsewhere in community organisations. The resulting CLT was registered with the FCA in March 2021 and received technical support from the CPCA. They received a high response rate and 72% of respondents were in favour of a CLT as well as seeing a need for affordable housing in the village. From March to August 2021 three potential development sites were considered. Two were from a confidential local landowner who did not engage with the assessment process and the third was from Peterhouse, Cambridge, who were transparent throughout. Public presentations were planned for September 2021, but before they took place there had been harassment, abuse, and threats to safety which had resulted in the CLT Trustees resigning. The Motion aimed to destroy CLTs without having understood that they offer local solutions to better the lives of local people.

Another Member questioned what could be considered to be disagreeable about a Motion asking for research. They stated that CLTs should be entirely local and without interference from the Council, yet the Corporate Plan stated that the Council would work with CLTs to deliver affordable housing. Either the CLTs had nothing to do with the Council, or there was a need for oversight to confirm that the bodies were working appropriately together and the local residents were happy.

Another Member agreed that CLTs were a good vehicle for affordable housing and reiterated the importance of working and talking together in order for a CLT to be successful. They commented that there were some mixed messages, for example there had been assertions that CLTs provided affordable housing in perpetuity, as was the case in Haddenham, and yet this would not be the case on the MoD site with East Cambs CLT. In terms of membership, the meeting had heard that any local people could join but the Member had direct experience of individuals who had been refused membership of East Cambs CLT. CLTs should be about community and goodwill between people: they were a good vehicle for development but should be open and transparent.

A Member criticised the proposer of the Motion for his comments and social media activity regarding CLTs. They stated that the District Council's sole involvement with regard to Little Thetford CLT had been a £5k start-up grant and, over the last month since the CPCA stopped providing it, technical support as needed. Regarding the three potential development sites in Little Thetford, one had been the wrong side of the A10 and one had been undeliverable due to a covenant that prevented development for seven years. The outgoing trustees had together given over 3000 hours to the CLT and other village causes; they had been working towards the same aims as Haddenham CLT, but the village community had been split and damaged by those with vested land interests. The District Council and its trading company, ECTC, had no involvement with most local CLTs; the exceptions were a connection *via* ECTC with the developments in Haddenham, Soham, and Kennett. CLTs were regulated by the FCA and there was no merit in the actions called for in the Motion. The District Council had no regulatory role in overseeing CLTs, yet the Motion accused the Council of meddling whilst also asking for greater involvement. That was contradictory. CLTs gave people the opportunity to stay in the communities they were rooted in, and should be supported.

Speaking as seconder of the Motion, Cllr Dupré reiterated that the Motion was not challenging the principle or merits of CLTs, and that the first paragraph of the Motion was clear in its support of the concept. However, the Council had a policy of promoting and forming CLTs and, in that context, a review was necessary for some of them. Concerns had been expressed by residents in the four villages named in the Motion regarding inappropriate proposals being forced upon communities, the relationships between Parish Councils and the trustees of CLTs, and profits made by landowners. Communities had been divided by a concept that was intended to bring them together. Whilst CLTs were required to register with the FCA, they were unregulated bodies and therefore, if residents had concerns, it was difficult to see where they could turn; in many cases there was overlap between memberships of a CLT, the Parish Council, the District Council and the local Planning Committee. Some residents who were uncomfortable with the decisions being taken regarding their local CLT felt unable to raise their concern with their local elected representative(s) because of their involvement and apparent conflicts of interests. Communities were being torn apart by the issue of CLTs and the Council needed to start to put it right.

Summing up as the proposer, Cllr Harries emphasised that he did not want to stop the work of the CLTs; the concept was sound but required more transparency. He did however want to be sure that the Council did not spend any money on CLTs until the relationship and workings had been reviewed. Responding to comments made by other Members during the debate, he reiterated that he did not want to undermine the CLTs and he believed that elected representatives were not restricted to involvement in issues within their own Ward and he had only become involved when approached directly. He explained that his intention with the Motion was to ensure that no undue interference was taking place, and that the Council's interaction with CLTs was

transparent and operating under proper business rules / code of conduct / best practice.

Following a request from a Member, a recorded vote was taken:

FOR: (9) – Cllrs Downey, Dupré, Harries, Inskip, Jones, Trapp, A Whelan, C Whelan and Wilson.

AGAINST: (17) – Cllrs C Ambrose Smith, D Ambrose Smith, Austen, Bailey, Bovingdon, Brown, Edwards, Every, Goldsack, Huffer, Hunt, D Schumann, Sharp, Starkey, Stubbs, Trimarco and Webber.

ABSTENTIONS: (0)

The Motion was declared to be lost.

#### **41. QUESTIONS FROM MEMBERS**

Questions were received and responses given as follows:

##### **i) Question to the Leader of Council from Cllr Mark Goldsack:**

“I am constantly asked about the legitimate position of Neighbourhood Plans and the current Local Plan in regard to possible new development applications. Could the Leader of the Council please state the current position held by East Cambs and what this means for speculative development on non-agreed sites in both the Local Plan and local Neighbourhood Plans?”

##### **Response from the Leader of Council, Cllr Anna Bailey:**

“Thank you Councillor Goldsack for your question.

The Council has just published its five year land supply report which shows that we have a seven year supply of housing land. This means that we have two years excess supply of land which is great news and puts us in a really strong position for defending appeals.

This means that we can keep assessing development proposals against all policies in our Local Plan, or where there's one in place, the Neighbourhood Plans. We have three adopted Neighbourhood Plans in East Cambs: Fordham, Sutton and Witchford and there are several more at different stages of development.

Any Neighbourhood Plan that is adopted after April 2015, the date of our Local Plan, takes priority over the Local Plan if there are conflicting policies.

So I'm delighted to say that our ability to resist unwanted speculative applications on non-allocated greenfield sites is currently strong, due to our ability to demonstrate that we have a healthy five year land supply

of deliverable housing sites, a matter referred to in a separate agenda item this evening.”

**ii) Question to the Leader of Council from Cllr Lis Every:**

“Following the delivery of the BP roundabout upgrade, I am pleased to see that new hi-tech and prestigious companies are coming to Lancaster Way Business Park which will lead to many jobs. It’s great that the Lancaster Way roundabout itself includes a cycle/pedestrian crossing to encourage active travel to and from the business park and further afield. However, we do need to see a safe cycle/pedestrian crossing of the A10 in the area of the BP roundabout in order to really encourage people out of their cars. Can the Leader please tell Council what she has been doing to encourage delivery of this vital piece of infrastructure?”

**Response from the Leader of Council, Cllr Anna Bailey:**

“Thank you for your question Cllr Every. I agree that it is incredibly exciting to see new high quality businesses and jobs coming to the Enterprise Zone at Lancaster Way Business Park. These jobs are targeted at, and very often filled, by local people, supporting the efforts of this Council to reduce out-commuting and help people to live and work locally and have a better quality of life.

The final piece of what has been a very long and incredibly complicated jigsaw in a constrained funding environment is to provide a safe crossing of the A10 in the vicinity of the BP roundabout. This is something I have lobbied for extensively for many years, and I had secured the commitment of the previous Mayor of Cambridgeshire and Peterborough to deliver it. The new Mayor has not yet made any commitment to it, but I met with him on 5th August to discuss the matter in detail and from that meeting and a subsequent message from his Strategic Advisor I believe he has every intention of delivering a solution as early as possible.

During our meeting I told the Mayor about the underpass further up the A10 that was built as part of the Ely Leisure Village and how successful it had been. The District Council is therefore working with the developer of the underpass to provide information to the Mayor about it to try to help.

As a member of the Combined Authority Board I raise this issue at every relevant opportunity and more, and I will continue to do so.”

**iii) Question to the Chairman of the Operational Services Committee from Cllr Mark Inskip:**

“At the full Council meeting on 23 February, I asked a question to the Chair of Operational Services Committee about the recent email outage, raising my concerns that further actions were needed to guarantee that the council’s email system was sufficiently resilient to future outages. In his response he dismissed my concerns in a politicised answer.

At the full Council meeting on 15 July, I again asked a question to the Chair of Operational Services Committee about email outages following a further incident earlier in July which left email services unavailable for the best part of a day and a half along with several more days to recover emails. I repeated my call for a much more thorough review to learn lessons and avoid further incidents. He again dismissed my call, stating that he was satisfied with the explanation provided to him and the action taken.

Less than a fortnight later, another major email outage occurred, this time taking several weeks for all Outlook data to be restored, and with some emails sent to Council email addresses never arriving.

Does he now acknowledge that a prompt and thorough review much earlier in the year could have avoided the major disruption caused to staff and members of the public by subsequent email outages?

Is the subsequent review detailed in the email sent on his behalf on 24 August 2021 now complete?

When will the findings be shared with all Members of the Council?"

**Response from the Chairman of the Operational Services Committee, Cllr David Ambrose Smith:**

"I would like to thank Councillor Inskip for his questions.

On the first point: No I don't. Decisions were made from information available at the time.

In my email I informed Members that there would be an internal review which would focus on the following four areas:

First – Why the exchange database failed. This element of the review is in progress. The IT team is working with Microsoft and, so far, no obvious point of failure has been identified.

Second – Failings with the back-up provider. This element of the review is in progress.

Third – Reviewing our support contract. This element of the review is about to commence.

Fourth – What can we do to mitigate future downtime. This element of the review is underway but will not conclude until the completion of the Office 365 migration.

The migration to Office 365 is underway and the IT team is currently working on migrating the staff mailboxes. The migration needs to complete before all of the points in the internal review can be addressed.

I will ask the Director Operations to share the outcome of the internal review with all Members once it is complete.”

**iv) Question to the Leader of Council from Cllr Simon Harries:**

“At the full Council meeting held on 23 February 2021, the Council resolved to request further investigation of the implications and benefits of the Fens Biosphere designation for East Cambridgeshire, and instructs the Chief Executive to write to Cambridgeshire ACRE to seek further information.

Can the Leader of the Council update the Members on the progress of those investigations over the last 8 months, including a summary of each of the meetings the Chief Executive has held to progress the investigation and when he plans to report back to Members?”

**Response from the Leader of Council, Cllr Anna Bailey:**

“Thank you for your question.

After the approval of the motion the Chief Executive wrote to Cambridgeshire Acre to inform them of the decision to explore the potential designation in more detail and advised that the Director Commercial would be the lead officer.

Subsequent to this the Director Commercial has met with Cambridgeshire Acre on three occasions, one of the meetings included the Chair and Vice-Chair of the Fens Biosphere steering group.

The meetings focused on getting a better understanding of the background as to how the Fens Biosphere came to being and what work could be done by the Steering Group, working with the Council to explore the implications.

In addition, with the assistance of Cambridgeshire Acre, the Director Commercial and the Strategic Planning Manager met with North Devonshire Councils as they already have a designation. The meeting focused on the interplay between the designation and planning policy and it was noted that the Biosphere there was driven by the District Councils collectively.

In the late summer there was a change in personnel at Cambridgeshire Acre and the Fens Biosphere Steering Group took the decision to employ a consultant to assess the project. The Director Commercial met with the consultant, only this Tuesday, to better understand the direction of travel for the future of the potential Biosphere Designation. The consultant is currently meeting with all of the local authorities to understand the status quo and will meet with the Director Commercial again at the end of November to provide an update on progress.”

## 42. PARKING ENFORCEMENT

### (a) Presentation by Superintendent James Sutherland, Cambridgeshire Police

Council received a presentation from Superintendent James Sutherland regarding a proposed pilot scheme for a volunteer scheme to, in part, tackle parking issues in the District.

He explained that in much of Cambridgeshire parking enforcement was no longer a police matter and instead responsibility lay with the Local Authority; whether to take on that responsibility was a matter for each Local Authority to decide. The police prioritised addressing serious crime and safety and as such were unlikely to ever have sufficient resources or time to address parking to the satisfaction of local residents. There had been no police traffic wardens in East Cambs for approximately 20 years: the responsibility had been transferred to Police Community Support Officers (PCSOs) but their numbers had now reduced from almost 200 to around 40 within the County and consequently their ability to effectively manage parking enforcement had deteriorated. A new workable solution was needed to address the parking issues within the District.

Various parking enforcement options considered for East Cambs and other areas of the County, including legal options such as the previously-discussed Community Safety Accreditation Scheme (CSAS), had now proved to be legally or operationally not possible. However, projects such as Community Speedwatch drew upon volunteers in order to increase capacity and free up police officers for tasks that only they could undertake. Section 38 of the Police and Crime Act 2017 permitted the Constabulary to bestow powers to volunteers acting on behalf of the Police Service Volunteers (PSV). To Supt Sutherland's knowledge, this had not previously been used in Cambridgeshire, or for parking enforcement anywhere in the country, but had been used elsewhere in order to address speeding uses. The proposal was to create a new volunteer role to address a range of road safety issues including parking in "hot spot" areas. Other responsibilities would include adding legal weight to the Community Speedwatch initiative, and providing road safety education in schools. A pilot scheme would be run initially to recruit and train a small number of volunteers; it was entirely police-led in consultation and partnership with the Council.

The Chairman thanked Supt Sutherland for his presentation and invited questions for him from Members.

Several Members thanked Supt Sutherland for his informative presentation and asked a range of questions for which answers were given as summarised below. Supt Sutherland emphasised that where he was unable to provide the detail requested, this should not be considered to be evasive, rather to the best of his knowledge a similar scheme had not been undertaken before and inevitably that meant there were unknown factors.

- In his professional opinion the volunteer scheme would not be as effective as civil parking enforcement (CPE), since CPE generally utilised full-time professionals. However, the volunteer scheme would be an improvement on the current situation and he believed that in East Cambs there were likely to be repeat offenders causing many of the issues and they would be deterred by the knowledge that the scheme was in place. This situation in this District was different from that in, for example, Cambridge City where parking issues were mainly attributable to tourists and visitors.
- The pilot scheme would initially involve approximately 4 – 6 volunteers. There was a desire to ensure that it was big enough to be meaningful but not too large, and must be operationally realistic.
- No time commitment for the individual volunteers had been determined at this stage. In general, members of the Special Constabulary were required to commit to a minimum number of hours due to the large investment in their training, whereas volunteer roles were usually narrower and therefore volunteers were quicker to train, making it less necessary to set minimum time expectations. Special constables would be involved in the training and mentoring of the volunteers on the proposed pilot scheme.
- Personal safety of volunteers was crucial and it was recognised that issuing parking tickets could be confrontational. Training would have an emphasis on engaging and educating, as well as in de-escalation of potential conflicts. Volunteers would be likely to work in pairs and have police radios which would enable them to call for assistance, if necessary. The selection of candidates with appropriate skills and behaviours would also be important.
- A suitably motivated small team, suitably targeted towards the relatively small number of “hot spots” in the District could achieve a great deal. A deterrent effect had been seen on speeding when Speedwatch volunteers had been seen in villages; the presence and regularity of PSVs for parking could raise an awareness that would have a similar effect.
- Some form of uniform would be provided, both for personal safety (e.g. high-visibility items) and for public understanding and legitimacy.
- Villages could not fund their own PCSO for parking enforcement or other duties since the police could not charge for services that they were already required to perform in the public domain.
- If the pilot scheme was successful, then it could be expanded into more villages throughout the District. The role would be one of road safety, not just parking, and as such could tackle multiple issues.

The Chairman and Members of the Council thanked Supt Sutherland for his attendance and extremely informative presentation, and expressed their appreciation by a round of applause.

## **(b) Parking Enforcement – Referral-Up from Operational Services Committee**

Council considered a report (W83, previously circulated) detailing the referral-up of a Parking Enforcement agenda item from the Operational Services Committee meeting held on 13<sup>th</sup> September 2021.

The Chief Executive introduced the report and highlighted the timeline of governance issues and the importance of the appendices which included both the original report to the Operational Services Committee (13 September 2021) and the answers to questions posed by Cllr Inskip in response to that report. He emphasised that this was a police-led pilot and the Council were requested to support the police and be available if they wanted help, for example with communications.

Cllr Bailey proposed a Motion, seconded by Cllr Huffer, to revise the recommendations in the report as follows:

This Council agrees to:

- (i) support the Cambridgeshire Police Pilot Scheme to integrate community-based enforcement of speeding, anti-social and illegal parking under Section 38 of the Police and Crime Act 2017;
- (ii) support the proposals from Cambridgeshire Police to target identified 'hot spots' in the District with enhanced on street enforcement in 2021/22;
- (iii) invite Superintendent James Sutherland, Cambridgeshire Police (or representative) to a future meeting to report on the evaluation of the pilot, when appropriate;
- (iv) request that Operational Services Committee review the effectiveness of the targeting of enforcement activity in 'hot spots' by October 2022;
- (v) provide necessary support to Cambridgeshire Police (when requested) to implement the above initiatives;
- (vi) not to implement CSAS in East Cambridgeshire (subject to a further review by end of 2022).

The proposer reminded Members that Supt Sutherland had personally championed the pilot and stated that it was a police-led initiative that should be supported by the Council. Civil Parking Enforcement (CPE) had been dismissed in October 2020 as an unacceptable risk to the Council since it could not be implemented in a rural area without requiring subsidy. In addition, as compliance increased in such a system, the income from it would necessarily decrease thereby requiring further subsidy. Once implemented, the decision to use CPE would be irreversible and, since Council Tax could not be used to pay

for it, the introduction of parking charges would be inevitable. Doing nothing to address the current dangerous and/or awkward parking in the District would be unacceptable and the proposal from the police merited support. The pilot scheme had a wider remit than parking since it included road safety and would therefore give Speedwatch the ability to issue fines. As a small District it was likely that people would comply once they were aware that enforcement was in place.

Cllr Inskip then proposed the following Amendment, seconded by Cllr Dupré:

To add additional recommendations:

- vii) To note that whilst the Cambridgeshire Police Pilot Scheme will hopefully lead to some increment improvements to on-street parking enforcement, it will not provide the step change in enforcement needed to comprehensively address the long-term blight of illegal parking experienced in East Cambridgeshire.
- viii) To further note that 96.6% of local authorities in England have adopted Civil Parking Enforcement and most of the remainder are in the processing of introducing CPE, taking the total to almost 98.8%. Many of these councils retain provision of free parking in parts of their district.
- ix) To instruct officers to immediately commence research on the implementation of Civil Parking Enforcement, learning from those authorities that have been able to maintain free parking in key locations and implement schemes in a cost-effective manner.
- x) To prepare proposals to be presented to Operational Services Committee to enable the council to work with the county council to introduce an effective scheme of Civil Parking Enforcement across East Cambridgeshire which enables the retention of free parking in the centre of Ely whilst continuing with paid parking at Angel Drove and The Dock.
- xi) To prioritise the development of these proposals to make up for time lost over the past year and to minimise the period during which the district be dependent on part-time volunteers for parking enforcement.

The proposer of the amendment stated that parking problems existed across the District and could not be solved by a small number of volunteers; therefore the Council should take responsibility. The parking issue had been identified 12 months previously and two solutions had been identified which the Liberal Democrat Group had at the time believed to be flawed and legally doubtful. No work had been done regarding CPE despite 96.6% of councils having adopted it. Once all councils that had committed to moving to CPE had done so, East Cambs would be one of only four councils that had not, the Isles of Scilly being

another. Twelve months had passed with no progress towards addressing the parking concerns and the current proposal involved all responsibility remaining with an already very stretched police force. The amendment sought to ensure that the Council also made proper contributions to solving the problem by actively researching other potential solutions including the use of CPE alongside retaining free parking. It recognised that the pilot scheme represented a useful interim solution, but the Superintendent himself had expressed doubts that the scheme could ever be as effective as CPE. Therefore, this Council should take responsibility itself for addressing the issues.

Two Members challenged the concept of CPE, in particular the unfairness of charging for some car parking in the District whilst maintaining free parking in other locations. Cllr Inskip clarified that he was not proposing to add charges to existing free car parks; he sought to learn from other councils that had a mix of free and paid-for parking.

Several Members expressed their full support for the pilot scheme as a good concept that would make a useful contribution to addressing parking issues. However, they also supported a full review of other potential solutions, in particular that a costed analysis of CPE should be undertaken, together with details of its efficiency compared with that of other options. Full researching of CPE was required in order to make informed decisions on it.

As the seconder of the Amendment, Cllr Dupré reminded Members that the Superintendent had confirmed that the original proposal would not be as effective as CPE. She also reminded them that most Local Authorities, including those with free parking in parts of their district, had adopted CPE. The amendment was straightforward in requesting research as to what CPE would involve, using worked examples and clear facts. The vast majority of Local Authorities made it work. A year had passed since the initial proposals for PCSOs or CSAS and consequently there was now a greater urgency for the Operational Services Committee to receive detailed proposals for consideration. The Superintendent had been impressive and there were no doubts regarding Cambridgeshire Police's ability to run the pilot scheme, but he had acknowledged that it would not be as good as CPE.

Summing up as proposer of the Motion, Cllr Bailey stated that CPE had been considered in detail in 2009, when the public had been vociferously opposed to the introduction of parking charges, and nothing had changed since then. Fenland District Council were considering introducing CPE and the cost was estimated to be £400k; she questioned where that money would come from in East Cambs, as Council Tax could not be increased to fund CPE, and asserted that it would lead to an ongoing funding shortfall. She reminded Members that if free parking in Ely was to remain then charges would have to be introduced in the other Council-owned car parks (Soham, Littleport and Burwell) and/or in on-street locations. In conclusion, she stated that the current Conservative Administration would not be willing to introduce CPE and therefore Officer time should not be dedicated to researching it.

Following a request from a Member, a recorded vote on the Amendment was taken:

FOR: (10) – Cllrs Downey, Dupré, Harries, Inskip, Jones, Trapp, Trimarco, A Whelan, C Whelan and Wilson.

AGAINST: (16) – Cllrs C Ambrose Smith, D Ambrose Smith, Austen, Bailey, Bovington, Brown, Edwards, Every, Goldsack, Huffer, Hunt, D Schumann, Sharp, Starkey, Stubbs and Webber.

ABSTENTIONS: (0)

The Amendment was declared to be lost.

During subsequent debate on the Motion several Members again criticised the lack of willingness to investigate CPE as a way to alleviate pressure on the police and substantially improve dangerous and anti-social parking in the District. However, they also supported the Superintendent's proposed scheme because, in addition to parking, it addressed other road safety issues such as speeding, and would be an improvement on the current situation.

A Member spoke about Ely's relative success in attracting and retaining independent shops which, together with its heritage and markets, brought many visitors to the city. The collaborative decision to increase the city's parking spaces and not charge for them had been highly successful. There was, however, a problem with vehicles being parked on yellow lines, overstaying in car parks, and other anti-social parking issues by a small minority and it needed to be tackled without taking funds away from other essential services. Lots of ideas had been considered and the pilot scheme was attractive since it would not require large investment of taxpayers' funds. The Community Safety Partnership were supportive and would work closely with the police to make it successful.

A Member emphasised the importance of the scheme being implemented throughout the District, not just in Ely, and suggested that Members could give ideas of places in their own Wards where there were significant issues. Another Member expressed concern about recruiting sufficient volunteers since their experience with Community Speedwatch had demonstrated that this could be difficult.

Speaking as the seconder of the Motion, Cllr Huffer agreed with an earlier speaker that there were also issues in villages and emphasised that the pilot was an exciting development since it would focus attention on speeding as well as parking and would be targeted wherever there was need. Volunteers may be easier to recruit than for Community Speedwatch since the scheme carried real sanctions and would therefore be more effective. The item had been referred to Full Council by the Operational Services Committee because it merited full analysis and debate, that had now happened and it was clear that

the proposed pilot scheme would improve parking and speeding issues in the District.

Following a request from a Member, a recorded vote on the Motion was taken:

FOR: (26) – Cllrs C Ambrose Smith, D Ambrose Smith, Austen, Bailey, Bovingdon, Brown, Downey, Dupré, Edwards, Every, Goldsack, Harries, Huffer, Hunt, Inskip, Jones, D Schumann, Sharp, Starkey, Stubbs, Trapp, Trimarco, Webber, A Whelan, C Whelan and Wilson.

AGAINST: (0)

ABSTENTIONS: (0)

The Motion was declared to be carried.

It was resolved:

i) that the Cambridgeshire Police Pilot Scheme to integrate community-based enforcement of speeding, anti-social and illegal parking under Section 38 of the Police and Crime Act 2017, be supported.

ii) that the proposals from Cambridgeshire Police to target identified 'hot spots' in the District with enhanced on-street enforcement in 2021/22 be supported.

iii) that Superintendent James Sutherland, Cambridgeshire Police (or representative), be invited to a future meeting to report on the evaluation of the pilot, when appropriate.

iv) that the Operational Services Committee be requested to review the effectiveness of the targeting of enforcement activity in 'hot spots' by October 2022.

v) that necessary support be provided to Cambridgeshire Police (when requested) to implement the above initiatives.

vi) that CSAS not be implemented in East Cambridgeshire (subject to a further review by end of 2022).

#### **43. RECOMMENDATIONS FROM COMMITTEES AND OTHER MEMBER BODIES**

Council considered report W84, previously circulated, detailing recommendations from the Finance & Assets Committee and the Licensing Committee as follows:

**1. Finance & Assets Committee – 22<sup>nd</sup> July 2021**

Treasury Operations Annual Performance Review

It was unanimously resolved:

That the report on the Council's Treasury operations during 2020/21, including the prudential and treasury indicators as set out in Appendix A1 of the report, be approved.

**2. Licensing Committee – 4<sup>th</sup> October 2021**

Gambling Act 2005 Statement of Licensing Principles – Three Year Review

It was unanimously resolved:

That the Gambling Act 2005 – Statement of Principles for Licensing be approved for adoption to come into effect on 31 January 2022 following a period of publication to be not less than 28 days.

**44. EAST CAMBRIDGESHIRE LOCAL PLAN (SINGLE ISSUE REVIEW) – SECOND CONSULTATION**

Council considered a report (W85, previously circulated) providing a progress update on the very limited partial update of the 2015 Local Plan, and seeking authorisation for the second round of consultation.

The Strategic Planning Manager introduced the report and reminded Members of the importance of a Local Plan. The first consultation on the Single Issue Review (SIR) had resulted in a limited number of suggestions, mostly from the development industry, as detailed in Appendix 2 of the report. It was his firm opinion that no fundamental amendments to the SIR were required as a consequence of the responses received. In particular, the Council had a good land supply in the short term and there were around 10,000 new homes identifiable on development sites, so there was no evidence that more were needed.

Cllr Bailey moved the recommendation in the report, seconded by Cllr Brown. She stated that the report was essentially a technical update and the second consultation was required as part of the SIR process and so should be approved. The Council had very recently published its Five Year Land Supply Report which demonstrated an equivalent of seven years' supply and therefore placed it in a strong position for defending appeals. She thanked Officers for their professional and sound guidance on these issues, and in particular highlighted the Planning team's help to protect the 5-year land supply.

Another Member spoke in favour of the recommendation but also expressed reservations about the Local Plan becoming outdated. Whilst understanding that the Government's uncertainty regarding policy was causing the Council to be reluctant to commit to developing a new Local Plan at this stage, a Local Plan was needed that was more reflective of key issues such as electric car charging points and air quality.

The seconder, Cllr Brown, had nothing to add and the proposer, Cllr Bailey reminded Members that the previous emerging Local Plan (2019) had been withdrawn due to the substantial revisions made by the Inspector which were not supported by the Council.

It was unanimously resolved:

That the second round of consultation on the very limited partial update of the 2015 Local Plan, as set out in Appendix 1 of the report, be approved.

#### **45. COMMUNITY INFRASTRUCTURE LEVY INFRASTRUCTURE LIST AND GOVERNANCE**

Council considered a report (W86, previously circulated) regarding changes to the Community Infrastructure Levy (CIL) Infrastructure List and Governance Arrangements.

The Director Commercial introduced the report and explained that it updated the Infrastructure List and some of the allocations. Paragraph 3.6.2 of the report detailed the proposed changes to the Infrastructure List to reflect commitments that had been fully met and additions that were required. In terms of proposed changes to the governance arrangements for CIL, paragraph 3.7.3 of the report explained the current allocations and the proposed changes which would enable the Council to meet its existing commitments and start to save for new requirements.

She thanked Cllr Dupré for spotting an omission in Appendix 5 which had now been updated and circulated:

Immediately prior to the table on page 1, "Income will be distributed as follows" had been replaced by "Authority is delegated to the Director Commercial, in consultation with the Leader of Council, to distribute CIL receipts in the following manner".

Consequently, the report's recommendation had also been updated such that (ii) would read "Approve the draft Governance Arrangements as set out in Appendix 5 (revised)".

Cllr Bailey, seconded by Cllr Hunt, proposed a Motion to approve the revised recommendations in the report. She thanked the Director Commercial and the Infrastructure & Strategy Manager for their oversight of the substantial CIL funds. The Council was delivering badly-needed infrastructure throughout the

District; there had been large projects for Ely as well as many wider community-based assets together with funds for Parish Councils to meet their obligations. The proposals added to the list more health care providers, a wider definition for community facilities, and water management and flood prevention.

Cllr Dupré then proposed the following Amendment, seconded by Cllr Harries:

To add text to the end of recommendation (i) such that it reads “(i) that the draft Infrastructure List, as set out in Appendix 3 of the report, be approved but retaining A142/Witchford Road roundabout on the list.”

Cllr Dupré stated that the Council’s £150k contribution to the A142/Witchford Road roundabout had worsened an already problematic junction. It was important to support people being able to travel without cars and the roundabout was a serious deterrent to walkers and cyclists. It was therefore sensible to keep the roundabout on the CIL list until the problem was resolved.

As seconder, Cllr Harries reminded Members that the cross-party Bus, Cycle, Walk Working Party had all agreed that there was an issue with the roundabout in that the new design added a further degree of speed and danger to those attempting to cross it. The works at the roundabout had not provided a way to cycle or walk to Lancaster Way from Ely and the Council should therefore remain involved to find a solution.

Responding as proposer of the Motion, Cllr Bailey explained that the A142/Witchford Road roundabout was the one adjacent to Lancaster Way, not the problematic A10/A142 “BP roundabout” which appeared to be the one referred to by the previous speakers. The latter roundabout had not been on the CIL list and therefore she could not support the amendment. She informed Members that, as stated in her response to Member question (ii) in Minute 41 above, she had been working with the Combined Authority Mayor regarding the BP roundabout and it was a firm commitment of the CPCA in the current Transport Plan; therefore, she was working hard to ensure it was also in the new Transport Plan.

On being put to the vote, the Amendment was declared to be lost with 9 votes in favour and 17 votes against with 0 abstentions.

During subsequent debate on the Motion, a Member commended the addition of healthcare and flood/water items to the list but commented that the two previously-discussed roundabouts were integrally connected and the lack of provision to cross the A10 meant that the aim of the redevelopment had not been completed to the satisfaction of the users. In addition, the historic decision to contribute £1m to the A14 project had been misguided since it represented only 0.07% of the project’s cost while being a huge sum of money for the Council.

Speaking as the seconder of the Motion, Cllr Hunt reiterated that the A142/Witchford Road roundabout and the nearby A10/A142 roundabout were

entirely separate and it was therefore right to remove the completed former project from the list. He gave credit to the Officers for a healthy and balanced list.

Summing up as the proposer of the Motion, Cllr Bailey gave further detail regarding the background to the responsibilities for the A10/A142 roundabout and highlighted that the District Council were not involved. Nonetheless, a solution was needed and she had been in discussions with the Combined Authority Mayor who was supportive.

It was unanimously resolved:

- i) that the draft Infrastructure List, as set out in Appendix 3 of the report, be approved.
- ii) that the draft Governance Arrangements, as set out in Appendix 5 (revised) of the report, be approved.
- iii) that a contribution of £40,000 per annum, for 25 years, be made from the CIL income to the A14 Improvements project.
- iv) that the Deputy Monitoring Officer be authorised to make the necessary changes to the Council's Constitution.

**46. CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY REPORTS FROM THE CONSTITUENT COUNCIL REPRESENTATIVES ON THE COMBINED AUTHORITY**

Council received the reports (previously circulated) from the Combined Authority's Audit & Governance Committee (30<sup>th</sup> July 2021), Overview & Scrutiny Committee (26<sup>th</sup> July and 23<sup>rd</sup> August 2021), and Combined Authority Board (28<sup>th</sup> July and 25<sup>th</sup> August 2021).

Cllr Bailey was asked for further information regarding item 3.1 "Implementation of the revised Affordable Housing Programme" at the Combined Authority Board 29<sup>th</sup> September 2021. She explained that it had been confirmed that there was no affordable housing programme at the Combined Authority after March 2022. There had been an attempt to enforce eight affordable housing principles but this had received no support. Discussions were taking place with the Government as Combined Authorities were no longer being given housing funds directly, they would come from Homes England instead.

It was unanimously resolved:

That the reports from the Constituent Council representatives on the Combined Authority, be noted.

**47. ACTION TAKEN BY THE CHIEF EXECUTIVE ON THE GROUNDS OF URGENCY – ADDITIONAL RESTRICTIONS GRANTS**

The Council considered report W87, previously circulated, detailing the actions taken by the Chief Executive on the grounds of urgency in respect of Additional Restrictions Grants (Round 6) and Little Thetford Parish Council.

It was unanimously resolved:

That the actions taken by the Chief Executive on the grounds of urgency relating to Additional Restrictions Grant Round 6 and to Little Thetford Parish Council, as detailed in the report, be noted.

The meeting concluded at 9:25pm

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**PAY POLICY STATEMENT 2022/23**

Committee: Full Council

Date: 22<sup>nd</sup> February 2022

Author: Nicole Pema, HR Manager

[W141]

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1.0 **ISSUE**

1.1 To present the Council's Pay Policy Statement 2022-23, a requirement under the Localism Act 2011.

2.0 **RECOMMENDATION**

2.1 It is recommended that Members approve and adopt the 2022-23 Pay Policy Statement.

3.0 **BACKGROUND**

3.1 The Localism Act 2011 requires the Council to prepare a Pay Policy Statement for each financial year. The Statement must be prepared and approved by the end of March each year.

3.2 The Council's Pay Policy Statement for 2022-23 is attached at Appendix 1.

3.3 The statement must include the pay and remuneration for all posts on the Council's establishment designated as 'Chief Officer' in accordance with the Local Government and Housing Act 1989 (see Section 2.4 of the Pay Policy Statement).

3.4 The Pay Policy Statement has to include:

- The level and elements of remuneration for each Chief Officer;
- The remuneration of the lowest paid employee; and
- The relationship between the remuneration of Chief Officers and other Officers.

3.5 Remuneration in this context is defined widely to include not just pay but also charges, fees, allowances, benefits in kind, increases in enhancements of pension entitlements and other discretionary payments.

3.6 The salaries shown do not include the 2021/22 Pay Award which is still being negotiated by the National Joint Council for Local Government Services and the trade unions. The salaries will be updated in accordance with the agreed NJC pay award once agreed.

4.0 **FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT**

4.1 The Council's Pay Policy Statement draws together existing policies relating to pay and reward and the financial implications of these policies were taken into account

at the time they were established. There are no further financial implications arising from the policy proposals in this report.

4.2 An Equality Impact Assessment (EIA) is not required.

5.0 APPENDICES

5.1 Appendix 1 Draft Pay Policy Statement 2022-23

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<b><u>Background Documents</u></b>	<b><u>Location</u></b>	<b><u>Contact Officer</u></b>
Local Government and Housing Act 1989	Room 118	Nicole Pema
The Local Government Transparency Code (Feb 2015)	The Grange Ely	HR Manager (01353) 616325 E-mail: nicole.pema@eastcambs.gov.uk
Openness and Accountability in Local Pay: Guidance under the Localism Act 2011		

**EAST CAMBRIDGESHIRE DISTRICT COUNCIL**  
**PAY POLICY STATEMENT 2022-2023**

**a) INTRODUCTION**

- 1.1 The Localism Act 2011 (Sections 38 to 43) requires Local Authorities to produce a Pay Policy Statement for each financial year.
- 1.2 The Act and supporting statutory guidance provides details of matters that must be included in the Pay Policy Statement but also recognises that each Local Authority has the autonomy to determine its own pay structure and pay policies. The Pay Policy Statement must be formally approved by Full Council by the end of March each year (although it can be amended in-year), must be published on the Council's website and must be complied with when setting terms and conditions for Chief Officers as defined in the Act.

**2. SCOPE**

- 2.1 This Pay Policy Statement includes a policy on:
- a) The level and elements of remuneration for each Chief Officer;
  - b) The remuneration of the lowest paid employee;
  - c) The relationship between the remuneration of Chief Officers and other Officers; and
  - d) Other specific aspects of Chief Officer remuneration such as fees, charges and other discretionary payments.
- 2.2 Remuneration in this context is defined widely to include not just pay but also charges, fees, allowances, benefits in kind, increases in enhancements of pension entitlements and other discretionary payments.
- 2.3 Under the Local Government and Housing Act 1989, a 'Chief Officer' is defined as:
- The Head of Paid Service, as designated under Section 4(1);
  - The Monitoring Officer, as designated under Section 5(1);
  - A Statutory Chief Officer, as detailed in Section 2(6);
  - A Non-Statutory Chief Officer, as detailed in Section 2(7); and
  - A Deputy Chief Officer, as detailed in section 2(8).
- 2.4 At East Cambridgeshire District Council, this would apply to the following posts:
- Chief Executive
  - Director (Operations)
  - Director (Commercial)
  - Finance Manager (S.151 Officer)
  - Legal Services Manager (Monitoring Officer)
  - Infrastructure and Strategy Manager

### **3. CHIEF OFFICER SALARIES**

- 3.1 The current salary scales for the staff in 2.4 are as presented in the table below.
- 3.2 Incremental progression through the salary scale will be determined each year as part of the annual appraisal and will be dependent on the individual being awarded a rating of either 'excellent' or 'outstanding' in accordance with the Council's Performance Management Scheme.

POST	SALARY SCALE £'S*				
	MINIMUM			MAXIMUM	
Chief Executive	127,510	130,694	133,882	137,072	140,258
Director (Operations)	82,029	86,130	91,143	94,957	100,258
Director (Commercial)	82,029	86,130	91,143	94,957	100,258
Legal Services Manager (Monitoring Officer)	59,280	62,242	65,865	68,623	72,452
Finance Manager (S151 Officer)	59,280	62,242	65,865	68,623	72,452
Infrastructure and Strategy Manager	59,280	62,242	65,865	68,623	72,452

\* Figures as at 1<sup>st</sup> April 2020.

- 3.3 The salaries shown do not include the 2021/22 Pay Award which is still being negotiated by the National Joint Council for Local Government Services and the trade unions. The salaries will be updated in accordance with the agreed NJC pay award once agreed.

### **4. REMUNERATION OF EMPLOYEES**

- 4.1 All staff below Chief Officer level are employed on terms and conditions in accordance with the NJC National Agreement on Pay and Conditions of Service (commonly known as the "Green Book"). The Council currently uses a pay spine that commences at Spinal Column Point (SCP) 1 and ends at SCP 51. The pay spine currently in use is divided into 10 pay scales, which contain various incremental points. Scale 1 is the lowest scale and Scale 10 is the highest of these pay scales. Posts are allocated to a scale through the NJC 'Green Book' job evaluation process. The values of the SCPs are increased by the pay award agreed annually by the National Joint Council for Local Government Services.
- 4.2 Incremental progression through the salary scale is determined each year as part of the annual appraisal and will be dependent on the individual being awarded a rating

of either 'excellent' or 'outstanding' in accordance with the Council's Performance Management Scheme.

- 4.3 For the purposes of this Pay Statement, "Green Book" employees on Scale 1 are defined as our lowest paid employees as there are no employees of the Council paid at a SCP that is lower than a point contained in Scale 1. The bottom of Scale 1 is currently SCP 1 and the top is SCP 4. At 1<sup>st</sup> April 2021 (subject to increase with the pay award once agreed), the full-time equivalent (FTE) annual values of these two SCPs were £17,842 (SCP 1) and £18,933 (SCP 4).
- 4.4 The Council will continue to meet or exceed the National Living Wage which is currently £8.91 per hour and is set to increase to £9.50 per hour from 1<sup>st</sup> April 2022. The lowest point on the Council's pay scale (SCP 1) currently equates to £9.25 per hour and this will increase with the April 2021 and April 2022 pay awards once agreed.

## **5. ENGAGEMENT OF WORKERS THROUGH INTERMEDIARIES**

- 5.1 Where individuals are working for the Council through an intermediary such as their own limited company or a consultancy firm, or an employment agency, and are working in the same way as our own employees, the payer will be liable to pay associated income tax and National Insurance Contributions (NICs). Genuinely self-employed workers will not be covered by this requirement (commonly known as IR35) and will continue to make their own assessment and payment arrangements for income tax and NICs.

## **6. TERMS AND CONDITIONS OF EMPLOYMENT**

- 6.1 The terms and conditions of employment for the Chief Executive is in accordance with the Joint Negotiating Committee for Chief Executives, Scheme of Conditions of Service and as varied by local agreement.
- 6.2 The terms and conditions of employment for the other Chief Officers (as detailed at 2.4) is in accordance with the Joint Negotiating Committee for Chief Officers, Scheme of Conditions of Service as varied by local agreement.
- 6.3 The terms and conditions of employment for all other staff are in accordance with the National Joint Council for Local Government Services as varied by local agreement.
- 6.4 The Chief Executive (Head of Paid Service), Legal Services Manager (Monitoring Officer) and Finance Manager (S.151 Officer) occupy statutory positions and specific rules on termination apply (as set out in the respective Scheme of Conditions of Service Handbook).

## **7. REMUNERATION ON APPOINTMENT AND RE-EMPLOYMENT**

- 7.1 Recruitment of Chief Executive and 'Chief Officer' (as defined by the Localism Act) posts are as set out in the Council's Constitution Part 4, Section 7, Officer Employment Procedure Rules.

7.2 The starting salary of all newly appointed officers will be in accordance with the principles set out in the Council's Recruitment Policy designed to avoid inequality.

## **8. BONUSES AND OTHER ADDITIONAL PAYMENTS/ALLOWANCES/BENEFITS PAYABLE TO CHIEF OFFICERS**

8.1 There are currently no bonus payments in place.

8.2 The Chief Executive receives:

- a) An employer contribution to the provision of a leased car of £9,438 per annum. This scheme is now closed to staff.
- b) BUPA membership at a cost to the authority of £1,291 per annum. This scheme is now closed to staff.

8.3 The Director (Operations) receives a payment of £3,724 per annum for being an emergency pager holder.

8.4 The Director (Commercial) does not receive any additional payments or allowances.

8.5 The other eligible allowances and expenses payable to the posts set out in paragraph 2.4 of this statement are as set out:

- Professional subscriptions;
- Childcare (as per the Council's Childcare scheme).

8.6 The Council will meet or reimburse authorised travel, accommodation and subsistence expenses for attendance away from the normal place of work on approved Council business. The Council does not regard such expenses as remuneration but as non-pay operational expenses. The same approach applies to legitimate Health and Safety reimbursements.

## **9. PENSION CONTRIBUTIONS**

9.1 All staff who are members of the Local Government Pension Scheme make individual contributions to the scheme in accordance with the following table. The employee contribution tables for 2021/22 are shown below.

<b>Contribution table 2021/22</b>			
<b>Band</b>	<b>Actual pensionable pay for an employment</b>	<b>Contribution rate for that employment</b>	
		<b>Main section</b>	<b>50/50 section</b>
<b>1</b>	<b>Up to £14,600</b>	<b>5.5%</b>	<b>2.75%</b>
<b>2</b>	<b>£14,601 to £22,900</b>	<b>5.8%</b>	<b>2.9%</b>
<b>3</b>	<b>£22,901 to £37,200</b>	<b>6.5%</b>	<b>3.25%</b>
<b>4</b>	<b>£37,201 to £47,100</b>	<b>6.8%</b>	<b>3.4%</b>
<b>5</b>	<b>£47,101 to £65,900</b>	<b>8.5%</b>	<b>4.25%</b>
<b>6</b>	<b>£65,901 to £93,400</b>	<b>9.9%</b>	<b>4.95%</b>

7	£93,401 to £110,000	10.5%	5.25%
8	£110,001 to £165,000	11.4%	5.7%
9	£165,001 or more	12.5%	6.25%

9.2

The Council makes employer's contributions into the scheme, which are reviewed by the actuary. The rate with effect from 1<sup>st</sup> April 2022 will remain at 17.2%.

9.3

The Council's discretions on pension enhancements are set out in the Pensions Discretion Statement.

## **10. PAYMENT UPON TERMINATION OF EMPLOYMENT**

10.1

Senior management who cease to hold office or be employed by the Council will receive payments calculated using the same principles as any other employee, based on entitlement within their contract of employment, their general terms and conditions and existing policies (e.g. Redundancy Policy).

10.2

Redundancy payments are calculated in accordance with the statutory scheme based on actual contractual weekly pay.

10.3

An employee will lose their entitlement to redundancy pay if they take up a post with another body covered by the Redundancy Payments (Local Government) (Modification) (Amendment) Orders within 4 weeks of the date of the redundancy and the offer of the new job has been made before the end of the original contract.

## **11. RELATIONSHIP BETWEEN HIGHEST AND LOWEST GRADE OF STAFF**

11.1

The lowest paid grade for East Cambridgeshire District Council is Scale 1 of the National pay structure. At 1<sup>st</sup> April 2021 (subject to increase with the pay award once agreed), the pay range for Scale 1 is currently £17,842 - £18,933 per annum. The highest paid post is that of Chief Executive with a pay scale of £127,510 - £140,258 per annum.

11.2

The ratio between the highest grade and lowest grade at the scale minimum pay point is 1:7.1 and at the scale maximum pay point is 1:7.4. Ratios are based on basic salary and do not include other payments.

11.3

The Council does not have a specific policy on pay ratios between the highest and lowest graded posts, but will continue to monitor the ratio each year within the Pay Policy Statement.

## **12. ELECTION FEES**

12.1

The Returning Officer has overall responsibility for the conduct of elections.

12.2

The Returning Officer is an officer of the Council who is appointed under the Representation of the People Act 1983. Although appointed by the Council, the role of Returning Officer is one of a personal nature and is separate and distinct from their duties as an employee of the Council.

- 12.3 Election fees are paid for electoral duties and are separate and additional to basic salary.
- 12.4 The Chief Executive is the Council's Returning Officer.
- 12.5 The fees for local elections are set on a countywide basis through the Association of Electoral Administrators, Cambridgeshire Group.
- 12.6 The fees for all other elections are set by the Electoral Commission.
- 12.7 Other officers, including some of the posts set out in paragraph 2, may receive additional payments for specific election duties.
- 12.8 Only fees for District Council elections are met by this Council.

**13. DISCLOSURE**

- 13.1 This Pay Policy Statement will be published annually by 31<sup>st</sup> March and made available on the Council's website. The Council already publishes details of all staff paid above £50,000 on the Council's website.

**14. REVIEW**

- 14.1 The Pay Policy Statement will be updated annually as required by the Localism Act.

**SCHEDULE OF ITEMS RECOMMENDED FROM COMMITTEES AND OTHER MEMBER BODIES**

Committee: Council

Date: 22 February 2022

Author: Tracy Couper, Democratic Services Manager

[W142]

<b>Member Body</b>	<b>Report No.</b>
<p><b>1. AUDIT COMMITTEE – 22 NOVEMBER 2021</b></p> <p><u>PSAA - Appointment of External Audit</u></p> <p>The Committee considered a report requesting consideration as to whether this Council wished to either opt-in to the appointing persons regime, or to establish an auditor panel and conduct their own procurement exercise, under the requirements of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.</p> <p><b>It was resolved TO RECOMMEND TO COUNCIL (unanimously):</b></p> <p><b>That this Council opts-in to the appointing persons arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external audit.</b></p>	<p><b>Report W107 attached at Appendix A</b></p>
<p><b>2. FINANCE AND ASSETS COMMITTEE – 25 NOVEMBER 2021</b></p> <p><u>Treasury Operations Mid-Year Review</u></p> <p>The Committee considered a report that provided an update on the Council’s 2021/22 Treasury Management Strategy.</p> <p>The Finance Manager advised the Committee that interest receipts had been higher than expected due to the level of cash the Council was holding. The Capital Financing Requirement was lower than the original estimate, at £10.806 million.</p>	<p><b>Report W110 attached at Appendix B</b></p>

Members' questions relating to this item had been submitted in advance of the meeting. Responses were provided and circulated at the meeting and included in the Appendix to the minutes.

A number of follow up questions were asked and the Committee was informed that it would be difficult to give a definitive range of commercial interest rates, but the 3.5% interest rate on the ECTC loan was considered reasonable. This would be checked against normal commercial rates and Members informed.

**It was resolved TO RECOMMEND TO FULL COUNCIL:**

**That the mid-year review of the Council's Treasury Management Strategy for 2021/22, as set out in Appendix 1, be noted.**

**3. FINANCE AND ASSETS COMMITTEE – 24 JANUARY 2022**

**(a) Local Council Tax Reduction Scheme (LCTRS) 2022/23**

The Committee considered a report reviewing the 2021/22 scheme and considering options for the Local Council Tax Reduction Scheme (LCTRS) for 2022/23.

A Member question relating to this item had been submitted in advance of the meeting and the response provided circulated as detailed below:

*Q. 2.1 'fixed rate reduction of £7.40'—per what? per week? per month? per annum? It's not made clear anywhere. No wonder the consultees were confused.*

A. This is per week.

**It was resolved to RECOMMEND TO COUNCIL:**

**That the changes detailed in the submitted report be approved and thus the East Cambridgeshire District Council's Local Council Tax Reduction Scheme 2022/23 be amended by:**

- **Reducing the capital threshold from £16,000 to £10,000 and abolishing tariff income;**

**Report W134  
attached at  
Appendix C**

- **Introducing a fixed rate reduction of £7.40 per week for non-dependants;**
- **Further streamlining the claim process;**
- **Increasing the tolerance for Universal Credit data re-assessments from £65 per month to £100 per month.**

(b) 2022/23 Annual Treasury Management Strategy, Minimum Revenue Provision (MRP) Policy Statement and Annual Investment Strategy (AIS)

The Committee considered a report containing the 2022/23 Treasury Management Strategy, the Annual Investment Strategy and the Minimum Revenue Provision Policy Statement.

The Finance Manager reported that the Council was holding significant cash balances at this time and, as such, it was forecast that no external borrowing would be required during the MTF5 period. The Council would continue with its current strategy of funding Capital Expenditure via internal borrowing and then investing surplus cash taking into account in this order, security, liquidity and yield.

**It was resolved to RECOMMEND TO COUNCIL:**

**That Council approve:**

- **The 2022/23 Treasury Management Strategy**
- **The Annual Investment Strategy**
- **The Minimum Revenue Provision Policy Statement**
- **The Prudential and Treasury Indicators**

**Report W135  
attached at  
Appendix D**

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**APPOINTMENT OF EXTERNAL AUDIT**

Committee: Audit Committee

Date: 22<sup>nd</sup> November 2021

Author: Finance Manager

[W107]

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1. **ISSUE**

1.1 The Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 require authorities to either opt-in to the appointing persons regime or to establish an auditor panel and conduct their own procurement exercise.

2. **RECOMMENDATION**

2.1 Committee is asked to recommend to Full Council that this Council opts-in to the appointing persons arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external audit.

3. **BACKGROUND / OPTIONS**

3.1 PSAA were specified by the Secretary of State as the appointing person under regulation 3 of the Local Audit (appointing Person) Regulations 2015 in July 2016 and undertook the procurement exercise for the 98% of eligible bodies who opted into the procurement exercise for the five year period from 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2023.

3.2 The Secretary of State has recently confirmed PSAA in the role of appointing person for the five year period commencing on 1<sup>st</sup> April 2023. Councils have until 11<sup>th</sup> March 2022 to formally opt-in if they wish to do so.

3.3 The main advantages of using PSAA are set out in the prospectus and are copied below; these can also be viewed as the disadvantages if the Council was to decide to undertake its own procurement.

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency and value for money;
- on-going management of any independence issues which may arise;

- access to a dedicated team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members;
- collective savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- a sector-led collaborative scheme supported by an established advisory panel of sector representatives to help inform the design and operation of the scheme;
- avoiding the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- providing regular updates to Section 151 officers on a range of local audit related matters and our work, to inform and support effective auditor-audited body relationships; and
- concerted efforts to develop a more sustainable local audit market.

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

#### 4. ARGUMENTS / CONCLUSIONS

4.1 It is expected that a sector wide procurement conducted by the PSAA will produce better outcomes for the Council than any procurement we could undertake ourselves or with a limited number of partners. Use of the PSAA will also be less resource intensive than establishing an auditor panel and conducting our own procurement. This option is therefore recommended.

4.2 To establish an auditor panel and conduct our own procurement, is not recommended as it will be a far more resource intensive process and, without the bulk buying power of the sector lead procurement, would be likely to result in a more expensive service.

#### 5. FINANCIAL IMPLICATIONS / EQUALITY AND CARBON IMPACT ASSESSMENT

5.1 As detailed above, it is expected that a sector wide procurement exercise will result in a lower cost for the Council, and reduced administration, when compared to undertaking a standalone process.

5.2 An Equality Impact Assessment (INRA) is not required.

5.3 A Carbon Impact Assessment (CIA) is not required.

6. APPENDIX

- 6.1 Appendix 1 - Invitation Letter to opt-in from PSAA dated 22<sup>nd</sup> September 2021  
Appendix 2 – PSAA Prospectus

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<u>Background Documents</u>	<u>Location</u>	<u>Contact Officer</u>
PSAA Prospectus 2021	Room 104 The Grange Ely	Ian Smith Finance Manager Tel: (01353) 616470 E-mail: <a href="mailto:ian.smith@eastcambs.gov.uk">ian.smith@eastcambs.gov.uk</a>



22 September 2021

To: Mr Hill, Chief Executive  
East Cambridgeshire District Council

Copied to: Mr Smith, S151 Officer  
Ms Every, Chair of Audit Committee or equivalent

Dear Mr Hill,

### **Invitation to opt into the national scheme for auditor appointments from April 2023**

I want to ensure that you are aware the external auditor for the audit of your accounts for 2023/24 has to be appointed before the end of December 2022. That may seem a long way away but, as your organisation has a choice about how to make that appointment, your decision-making process needs to begin soon.

We are pleased that the Secretary of State has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. Joining PSAA's national scheme for auditor appointments is one of the choices available to your organisation.

In June 2021 we issued a draft prospectus and invited your views and comments on our early thinking on the development of the national scheme for the next period. Feedback from the sector has been extremely helpful and has enabled us to refine our proposals which are now set out in the [scheme prospectus](#) and our [procurement strategy](#). Both documents can be downloaded from our website which also contains a range of useful information that you may find helpful.

The national scheme timetable for appointing auditors from 2023/24 means we now need to issue a formal invitation to you to opt into these arrangements. In order to meet the requirements of the relevant regulations, we also attach a form of acceptance of our invitation which you must use if your organisation decides to join the national scheme. We have specified the five consecutive financial years beginning 1 April 2023 as the compulsory appointing period for the purposes of the regulations which govern the national scheme.

Given the very challenging local audit market, we believe that eligible bodies will be best served by opting to join the scheme and have attached a short summary of why we believe that is the best solution both for individual bodies and the sector as a whole.

I would like to highlight three matters to you:

1. if you opt to join the national scheme, we need to receive your formal acceptance of this invitation by Friday 11 March 2022;

2. the relevant regulations require that, except for a body that is a corporation sole (e.g. a police and crime commissioner), the decision to accept our invitation and to opt in must be made by the members of the authority meeting as a whole e.g. Full Council or equivalent. We appreciate this will need to be built into your decision-making timetable. We have deliberately set a generous timescale for bodies to make opt in decisions (24 weeks compared to the statutory minimum of 8 weeks) to ensure that all eligible bodies have sufficient time to comply with this requirement; and
3. if you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2023. We are required to consider such requests and agree to them unless there are reasonable grounds for their refusal. PSAA must consider a request as the appointing person in accordance with the Regulations. The Regulations allow us to recover our reasonable costs for making arrangements to appoint a local auditor in these circumstances, for example if we need to embark on a further procurement or enter into further discussions with our contracted firms.

If you have any other questions not covered by our information, do not hesitate to contact us by email at [ap2@psaa.co.uk](mailto:ap2@psaa.co.uk). We also publish answers to [frequently asked questions](#) on our website.

If you would like to discuss a particular issue with us, please send an email also to [ap2@psaa.co.uk](mailto:ap2@psaa.co.uk), and we will respond to you.

Yours sincerely

Tony Crawley  
Chief Executive

Encl: Summary of the national scheme

## Why accepting the national scheme opt-in invitation is the best solution

### Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit, independent company limited by guarantee incorporated by the Local Government Association in August 2014.

We have the support of the LGA, which in 2014 worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national body.

We have the support of Government; MHCLG's Spring statement confirmed our appointment because of our "strong technical expertise and the proactive work they have done to help to identify improvements that can be made to the process".

We are an active member of the new Local Audit Liaison Committee, chaired by MHCLG and attended by key local audit stakeholders, enabling us to feed in body and audit perspectives to decisions about changes to the local audit framework, and the need to address timeliness through actions across the system.

We conduct research to raise awareness of local audit issues, and work with MHCLG and other stakeholders to enable changes arising from Sir Tony Redmond's review, such as more flexible fee setting and a timelier basis to set scale fees.

We have established an advisory panel, which meets three times per year. Its membership is drawn from relevant representative groups of local government and police bodies, to act as a sounding board for our scheme and to enable us to hear your views on the design and operation of the scheme.

### The national scheme for appointing local auditors

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. 98% of eligible bodies made the choice to opt-in for the five-year period commencing in April 2018.

We will appoint an auditor for all opted-in bodies for each of the five financial years beginning from 1 April 2023.

We aim for all opted-in bodies to receive an audit service of the required quality at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local audit. The focus of our quality assessment will include resourcing capacity and capability including sector knowledge, and client relationship management and communication.

### What the appointing person scheme from 2023 will offer

We believe that a sector-led, collaborative, national scheme stands out as the best option for all eligible bodies, offering the best value for money and assuring the independence of the auditor appointment.

The national scheme from 2023 will build on the range of benefits already available for members:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency;
- on-going management of any independence issues which may arise;
- access to a specialist PSAA team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members - in 2019 we returned a total £3.5million to relevant bodies and more recently we announced a further distribution of £5.6m in August 2021;
- collective efficiency savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- avoids the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- updates from PSAA to Section 151 officers and Audit Committee Chairs on a range of local audit related matters to inform and support effective auditor-audited body relationships; and
- concerted efforts to work with other stakeholders to develop a more sustainable local audit market.

We are committed to keep developing our scheme, taking into account feedback from scheme members, suppliers and other stakeholders, and learning from the collective post-2018 experience. This work is ongoing, and we have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties.

Importantly we have listened to your feedback to our recent consultation, and our response is reflected in [the scheme prospectus](#).

## **Opting in**

The closing date for opting in is 11 March 2022. We have allowed more than the minimum eight-week notice period required, because the formal approval process for most eligible bodies is a decision made by the members of the authority meeting as a whole [Full Council or equivalent], except police and crime commissioners who are able to make their own decision.

We will confirm receipt of all opt-in notices. A full list of eligible bodies that opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters which may need to be taken into consideration when appointing your auditor.

## **Local Government Reorganisation**

We are aware that reorganisations in the local government areas of Cumbria, Somerset, and North Yorkshire were announced in July 2021. Subject to parliamentary approval shadow elections will take place in May 2022 for the new Councils to become established from 1 April 2023. Newly established local government bodies have the right to opt into PSAA's scheme under Regulation 10 of the Appointing Person Regulations 2015. These Regulations also set out that a local government body that ceases to exist is automatically removed from the scheme.

If for any reason there is any uncertainty that reorganisations will take place or meet the current timetable, we would suggest that the current eligible bodies confirm their acceptance to opt in to avoid the requirement to have to make local arrangements should the reorganisation be delayed.

## **Next Steps**

We expect to formally commence the procurement of audit services in early February 2022. At that time our procurement documentation will be available for opted-in bodies to view through our e-tendering platform.

Our recent webinars to support our consultation proved to be popular, and we will be running a series of webinars covering specific areas of our work and our progress to prepare for the second appointing period. Details can be found on [our website](#) and in [the scheme prospectus](#).

# PROSPECTUS

## The national scheme for local auditor appointments

All eligible bodies

September 2021

[www.psaa.co.uk](http://www.psaa.co.uk)

## About PSAA

Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association in August 2014.

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing auditors and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme, overseeing issues of auditor independence and monitoring compliance by the auditor with the contracts we enter into with the audit firms.

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## Introduction

PSAA has issued its formal invitation to all eligible bodies to opt into the national scheme for local auditor appointments for the second appointing period, which will provide external audit arrangements for the period commencing from the financial year 2023/24.

This prospectus is published to provide details of the national scheme and to assist eligible bodies in deciding whether or not to accept PSAA's invitation. The scheme has been shaped by [your feedback to the June 2021 consultation](#) on our draft prospectus. The key areas of our approach that have been refined in response to consultation feedback are set out later in this prospectus.

In relation to appointing auditors, eligible bodies have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.

A decision to become an opted-in authority must be taken in accordance with the Regulations, that is by the members of an authority meeting as a whole, i.e. in Full Council, except where the authority is a corporation sole, such as a police and crime commissioner, in which case this decision must be taken by the holder of that office.

An eligible body that has decided to join the scheme must inform PSAA by returning the Form of Acceptance Notice (issued with the opt-in invitation) **no later than midnight on Friday 11 March 2022**.

An eligible body that does not accept the opt-in invitation but subsequently wishes to join the scheme may apply to opt in only after the appointing period has commenced, that is on or after 1 April 2023. In accordance with the regulations, as the appointing person, PSAA must: consider a request to join its scheme; agree to the request unless it has reasonable grounds for refusing it; and notify the eligible body within four weeks of its decision with an explanation if the request is refused. Where the request is accepted, PSAA may recover its reasonable costs for making arrangements to appoint a local auditor from the opted-in body.

## Audit does matter

The purpose of audit is to provide an independent opinion on the truth and fairness of the financial statements, whether they have been properly prepared and to report on certain other requirements. In relation to local audit the auditor has a number of distinctive duties including assessing the arrangements in place to deliver value for money, and dealing with electors' objections and issuing public interest reports.

Good quality independent audit is one of the cornerstones of public accountability. It gives assurance that taxpayers' money has been well managed and properly expended. It helps to inspire trust and confidence in the organisations and people responsible for managing public money.

*“The LGA set up PSAA to provide a way for councils to meet the legislative requirements of audit procurement without unnecessary bureaucracy and to provide leverage for councils by collaborating in a difficult market. It is now more important than ever that councils work together to ensure we get what we need from the audit market.”*

*James Jamieson. Chairman of the Local Government Association*

## Context: changes in the audit market

In 2014 when the Local Audit and Accountability Act received Royal Assent the audit market was relatively stable. In 2017 PSAA benefitted from that continuing stability. Our initial procurement on behalf of more than 480 bodies (98% of those eligible to join the national scheme) was very successful, attracting very competitive bids from firms. As a result, we were able to enter into long term contracts with five experienced and respected firms and to make auditor appointments to all bodies. However, although we did not know it at the time, this was the calm before the storm.

2018 proved to be a very significant turning point for the audit industry. A series of financial crises and failures in the private sector gave rise to questioning about the role of auditors and the focus and value of their work. In rapid succession the Government commissioned four independent reviews, all of which have subsequently reported:

- Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator;
- the Competition and Markets Authority review of the audit market;
- Sir Donald Brydon's review of the quality and effectiveness of audit; and
- Sir Tony Redmond's review of local authority financial reporting and external audit.

In total the four reviews set out more than 170 recommendations which are now at various stages of consideration by Government with the clear implication that a series of significant reforms could follow. Indeed, in some cases where new legislation is not required, significant change is already underway. A particular case in point concerns the FRC, where the Kingman Review has inspired an urgent drive to deliver rapid, measurable improvements in audit quality. This has already created a major pressure for firms and an imperative to ensure full compliance with regulatory requirements and expectations in every audit they undertake.

By the time firms were conducting 2018/19 local audits, the measures which they were putting in place were clearly visible in response to a more focused regulator that was determined to achieve change. In order to deliver the necessary improvements in audit quality, firms were requiring their audit teams to undertake additional work to gain higher levels of assurance. However, additional work requires more time, posing a threat to firms' ability to complete all of their audits by the target date for publication of audited accounts (then 31 July) - a threat accentuated by growing recruitment and retention challenges, the complexity of local government financial statements, and increasing levels of technical challenges as bodies explored innovative ways of developing new or enhanced income streams to help fund services for local people.

This risk to the delivery of timely audit opinions first emerged in April 2019 when one of PSAA's contracted firms flagged the possible delayed completion of approximately 20 audits. Less than four months later, all firms were reporting similar difficulties, resulting in more than 200 delayed audit opinions.

2019/20 audits have presented even greater challenges. With Covid-19 in the mix both finance and audit teams have found themselves in uncharted waters. Even with the benefit of an extended timetable targeting publication of audited accounts by 30 November, more than 260 opinions remained outstanding. The timeliness problem is extremely troubling. It creates disruption and reputational damage for affected parties. There are no easy solutions, and so it is vital that co-ordinated action is taken across the system by all involved in the accounts and audit process to address the current position and achieve sustainable improvement without compromising audit quality. PSAA is fully committed to do all it can to contribute to achieving that goal.

Delayed opinions are not the only consequence of the regulatory drive to improve audit quality. Additional audit work must also be paid for. As a result, many more fee variation claims have been received than in prior years and audit costs have increased.

None of these problems are unique to local government audit. Similar challenges have played out throughout other sectors where, for example, increased fees and disappointing responses to tender invitations have been experienced during the past two years.

All of this paints a picture of an audit industry under enormous pressure, and of a local audit system which is experiencing its share of the strain and instability as impacts cascade down to the frontline of individual audits. We highlight some of the initiatives which we have taken to try to manage through this troubled post-2018 audit era in this prospectus.

We look forward to the challenge of getting beyond managing serial problems within a fragile system and working with other local audit stakeholders to help design and implement a system which is more stable, more resilient, and more sustainable.

## Responding to the post-2018 pressures

MHCLG's<sup>1</sup> Spring statement proposes changes to the current arrangements. At the time of writing, a formal consultation on the proposals in the Spring statement is underway and is due to close on 22 September 2021. The significant work to reform audit in the wake of the four independent reviews is underway. Further wide-ranging change is almost certain to occur during the next few years, and is very likely to have an impact during the appointing period that will commence in April 2023. Organisations attempting to procure audit services of an appropriate quality during this period are likely to experience markedly greater challenges than pre-2018.

Local government audit will not be immune from these difficulties. However, we do believe that PSAA's national scheme will be the best option to enable local bodies to secure audit services in a very challenging market. Firms are more likely to make positive decisions to bid for larger, long term contracts, offering secure income streams, than they are to invest in bidding for a multitude of individual opportunities.

We believe that the national scheme already offers a range of benefits for its members:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency and value for money;
- on-going management of any independence issues which may arise;
- access to a dedicated team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members;
- collective savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- a sector-led collaborative scheme supported by an established advisory panel of sector representatives to help inform the design and operation of the scheme;

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<sup>1</sup> Immediately prior to the publication of this document it was announced that MHCLG has been renamed to Department for Levelling Up, Housing and Communities (DLUHC). The document refers to the department as MHCLG.

- avoiding the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- providing regular updates to Section 151 officers on a range of local audit related matters and our work, to inform and support effective auditor-audited body relationships; and
- concerted efforts to develop a more sustainable local audit market.

The national scheme from 2023/24 will build on the current scheme having listened to the feedback from scheme members, suppliers and other stakeholders and learning from the collective post-2018 experience.

Since 2018 we have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties including:

- commissioning an independent review undertaken by Cardiff Business School of the design of the scheme and implementation of our appointing person role to help shape our thinking about future arrangements;
- commissioning an independent review by consultancy firm Touchstone Renard of the sustainability of the local government audit market, which identified a number of distinctive challenges in the current local audit market. We published the report to inform debate and support ongoing work to strengthen the system and help to deliver long term sustainability;
- proactively and constructively engaging with the various independent reviews, including the significant Redmond Review into Local Authority Financial Reporting and External Audit;
- working with MHCLG to identify ways to address concerns about fees by developing a new approach to fee variations which would seek wherever possible to determine additional fees at a national level where changes in audit work apply to all or most opted-in bodies;
- establishing the Local Audit Quality Forum, which has to date held five well attended events on relevant topics, to strengthen engagement with Audit Committee Chairs and Chief Finance Officers;
- using our advisory panel and attending meetings of the various Treasurers' Societies and S151 officer meetings to share updates on our work, discuss audit-related developments, and listen to feedback;
- maintaining contact with those registered audit firms that are not currently contracted with us, to build relationships and understand their thinking on working within the local audit market;
- undertaking research to enable a better understanding of the outcomes of electors' objections and statements of reasons issued since our establishment in April 2015; and
- sharing our experiences with and learning from other organisations that commission local audit services such as Audit Scotland, the NAO, and Crown Commercial Services.

As a member of the newly formed Local Audit Liaison Committee (established by MHCLG as outlined in its Spring statement), we are working closely with a range of local audit stakeholders including MHCLG, FRC, NAO, ICAEW, CIPFA and the LGA to help identify and develop further initiatives to strengthen local audit. In many cases desirable improvements are not within PSAA's sole gift and, accordingly, it is essential that this work is undertaken collaboratively with a common aim to ensure that local bodies continue to be served by an audit market which is able to meet the sector's needs and which is attractive to a range of well-equipped suppliers.

One of PSAA's most important obligations is to make an appropriate auditor appointment to each and every opted-in body. Prior to making appointments for the second appointing period, commencing on 1 April 2023, we plan to undertake a major procurement enabling suppliers to enter into new long term contracts with PSAA.

In the event that the procurement fails to attract sufficient capacity to enable auditor appointments to every opted-in body or realistic market prices, we have fallback options to extend one or more existing contracts for 2023/24 and also 2024/25.

We are very conscious of the value represented by these contract extension options, particularly given the current challenging market conditions. However, rather than simply extending existing contracts for two years (with significant uncertainty attaching to the likely success of a further procurement to take effect from 1 April 2025), we believe that it is preferable, if possible, to enter into new long term contracts with suppliers at realistic market prices to coincide with the commencement of the next appointing period.

MHCLG has recently undertaken a consultation proposing amendments to the Appointing Person Regulations. We have set the length of the next compulsory appointing period to cover the audits of the five consecutive financial years commencing 1 April 2023.

## **PSAA is well placed to lead the national scheme**

As outlined earlier, the past few years have posed unprecedented challenges for the UK audit market. Alongside other stakeholders PSAA has learned a great deal as we have tried to address the difficulties and problems arising and mitigate risks. It has been a steep learning curve but nevertheless one which places us in a strong position to continue to lead the national scheme going forward. MHCLG's Spring statement confirmed Government's confidence in us to continue as appointing person, citing our strong technical expertise and the proactive work we have done to help to identify improvements that can be made to the process.

The company is staffed by a team with significant experience of working within the context of the regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees. All of these roles are undertaken with a detailed, ongoing, and up-to-date understanding of the distinctive context and challenges facing

both the sector and a highly regulated service and profession which is subject to dynamic pressures for change. Where appropriate we have worked with MHCLG to change our regulations where they are preventing efficiency.

We believe that the national collective, sector-led scheme stands out as the best option for all eligible bodies - especially in the current challenging market conditions. It offers excellent value for money and assures the independence of the auditor appointment.

Membership of the scheme will save time and resources for local bodies - time and resources which can be deployed to address other pressing priorities. Bodies can avoid the necessity to establish an auditor panel (required by the Local Audit & Accountability Act, 2014) and the need to manage their own auditor procurement. Assuming a high level of participation, the scheme can make a significant contribution to supporting market sustainability and encouraging realistic prices in a challenging market.

The scope of a local audit is fixed. It is determined by the Code of Audit Practice (currently published by the NAO<sup>2</sup>), the format of the financial statements (specified by CIPFA/LASAAC) and the application of auditing standards regulated by the FRC. These factors apply to all local audits irrespective of whether an eligible body decides to opt into PSAA's national scheme or chooses to make its own separate arrangements.

The scope of public audit is wider than for private sector organisations. For example, for 2020/21 onwards it involves providing a new commentary on the body's arrangements for securing value for money, as well as dealing with electors' enquiries and objections, and in some circumstances issuing public interest reports.

Auditors must be independent of the bodies they audit to enable them to carry out their work with objectivity and credibility, and to do so in a way that commands public confidence. We will continue to make every effort to ensure that auditors meet the relevant independence criteria at the point at which they are appointed, and to address any identified threats to independence which arise from time to time. We will also monitor any significant proposals for auditors to carry out consultancy or other non-audit work with the aim of ensuring that these do not undermine independence and public confidence.

The scheme will also endeavour to appoint the same auditor to bodies involved in formal collaboration/joint working initiatives, if the parties consider that a common auditor will enhance efficiency and value for money.

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<sup>2</sup> MHCLG's Spring statement proposes that overarching responsibility for the Code will in due course transfer to the system leader, namely ARGA, the new regulator being established to replace the FRC.

## **PSAA's commitments**

### **PSAA will contract with appropriately qualified suppliers**

In accordance with the 2014 Act, audit firms must be registered with one of the chartered accountancy institutes - currently the Institute of Chartered Accountants in England and Wales (ICAEW) - acting in the capacity of a Recognised Supervisory Body (RSB). The quality of their work will then be subject to inspection by either or potentially both the RSB and the FRC. Currently there are fewer than ten firms registered to carry out local audit work.

We will take a close interest in the results of RSB and FRC inspections and the subsequent plans that firms develop to address any areas in which inspectors highlight the need for improvement. We will also focus on the rigour and effectiveness of firms' own internal quality assurance arrangements, recognising that these represent some of the earliest and most important safety nets for identifying and remedying any problems arising. To help inform our scrutiny of both external inspections and internal quality assurance processes, we will invite regular feedback from both audit committee chairs and chief finance officers of audited bodies.

### **PSAA will support market sustainability**

We are very conscious that our next procurement will take place at a very difficult time given all of the fragility and uncertainties within the external audit market.

Throughout our work we will be alert to new and relevant developments that may emerge from the Government's response to the Kingman, CMA and Brydon Reviews, as well as its response to the issues relating specifically to local audit highlighted by the Redmond Review. We will adjust or tailor our approach as necessary to maximise the achievement of our procurement objectives.

A top priority must be to encourage market sustainability. Firms will be able to bid for a variety of differently sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and to reflect realistic market prices in their tenders, informed by the scale fees and the supporting information provided about each audit. Where regulatory changes are in train which affect the amount of audit work which suppliers must undertake, firms will be informed as to which developments should be priced into their bids. Other regulatory changes will be addressed through the fee variation process, where appropriate in the form of national variations.

### **PSAA will offer value for money**

Audit fees must ultimately be met by individual audited bodies. The prices submitted by bidders through the procurement will be the key determinant of the value of audit fees paid by opted-in bodies.

We believe that the most likely way to secure competitive arrangements in a suppliers' market is to work collectively together as a sector.

We will seek to encourage realistic fee levels and to benefit from the economies of scale associated with procuring on behalf of a significant number of bodies. We will also continue to seek to minimise our own costs (which represent approximately 4% of overall scheme costs). We are a not-for-profit company and any surplus funds will be returned to scheme members. For example, in 2019 we returned a total £3.5million to relevant bodies and, more recently, we announced a further distribution of £5.6m in August 2021.

We will continue to pool scheme costs and charge fees to opted-in bodies in accordance with our published fee scale as amended from time to time following consultations with scheme members and other interested parties. Pooling is a key tenet of the national collective scheme.

Additional fees (fee variations) are part of the statutory framework. They only occur if auditors are required to do substantially more work than anticipated, for example, if local circumstances or the Code of Audit Practice change or the regulator (the FRC) increases its requirement on auditors.

Audit developments since 2018 have focused considerable attention on audit fees. The drive to improve audit quality has created significant fee pressures as auditors have needed to extend their work to ensure compliance with increased regulatory requirements. Changes in audit scope and technical standards, such as the requirement in the new Code of Audit Practice 2020 for the auditor to provide a VFM arrangements commentary, have also had an impact. Fees are rising in response to the volume of additional audit work now required.

The outcome is awaited of MHCLG's recent consultation on changes to the regulations, designed to provide the appointing person with greater flexibility to allow a fee scale to be set during the audit year (rather than before it starts). If implemented, these changes will enable approved recurring fee variations to be baked into the scale fee at an earlier date so the scale fees are more accurate and the volume of fee variations is reduced.

It is important to emphasise that by opting into the national scheme you have the reassurance that we review and robustly assess each fee variation proposal in line with statutory requirements. We draw on our technical knowledge and extensive experience in order to assess each submission, comparing with similar submissions in respect of other bodies/auditors before reaching a decision.

## Procurement Strategy

Our [procurement strategy](#) sets out the detail and scope of the procurement to deliver contracts from which the auditor appointments will be made for eligible bodies that decide to accept the invitation to opt into PSAA's scheme.

Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

We expect to initiate a new procurement for audit services in February 2022 and, subject to a satisfactory outcome, to award contracts in August 2022. Subject to consultations with opted-in bodies and audit firms, we plan to make auditor appointments by 31 December 2022 (as required by the regulations).

## Response to consultation feedback

PSAA consulted with eligible bodies and other stakeholders on our draft prospectus for the national scheme for local auditor arrangements from April 2023, and with the audit services market on important features of its procurement strategy. The insight provided from both these important consultations has helped to shape the arrangements that PSAA will implement from 2023/24. Key areas are highlighted below.

### Evolution of the Local Audit Framework

The consultation responses highlight the need for system-wide change. In many areas it is not within PSAA's remit to effect the significant change required.

The newly formed Local Audit Liaison Committee (as outlined in MHCLG's Spring statement), has enabled PSAA to highlight the need for a range of actions to tackle the identified issues that are essential to support a more stable, more resilient, and more sustainable local audit system. Sometimes the actions can be taken by individual organisations, but more frequently responsibility lies collectively across the system. The Liaison Committee and its members are now taking actions forward, including:

- All stakeholders to communicate the importance of audit timeliness as a consistent message to audit firms;
- PSAA to work with the FRC to develop the approach to quality evaluation of tenders;
- MHCLG and other stakeholders to understand the extent of potential increased audit costs for all eligible bodies and to consider how these might be met;
- All stakeholders to consider ways in which to attract new entrants (firms and Key Audit Partners) into the market;
- Central government departments to provide clarity on the direction of local audit policy to inform firms' consideration ahead of next procurement;
- The NAO and FRC to work together to consider how they can provide clarity about the future direction of the Code of Audit Practice to firms ahead of the next procurement; and
- MHCLG, CIPFA and the LGA to consider how to support finance departments with accounting and audit requirements.

In the vast majority of the areas consulted on which were within PSAA's remit, responses were supportive of our proposals for the national scheme from 2023/24 which is very encouraging. Areas where we have revisited and evolved our approach are highlighted below.

## **Minimum Audit Fees**

Audit fees are rising in all sectors in response to increased regulatory requirements for audit quality and changes in audit scope and technical standards. Striving to ensure realistic fee levels is a vital prerequisite to achieving a more sustainable and stable local audit market.

Where individual audits currently attract scale fees that do not cover the basic costs of the audit work needed for a Code-compliant audit, we propose to implement a minimum fee level at the start of the next appointing period, for the audit of the 2023/24 accounts. Our independent research indicates a minimum fee level of £31,000 should apply, based on the 2020/21 scope of audit work, to any opted-in body (a police and crime commissioner and a chief constable constitute one body for this purpose).

We cannot anticipate scale fees for the next appointing period at this stage, because they will depend on the prices achieved in the procurement and any changes in audit requirements. Where any price increase means that the scale fee for a body does not reach the floor set by the minimum fee, the fee for that body would increase to reach the minimum level. It is likely, given current expectations, that the introduction of a minimum fee specifically would lead to an increase in fees for a relatively small number of local bodies. PSAA consults each year on the fee scale and will consult in 2023 on the 2023/24 fee scale.

Introducing a minimum fee is a one-off exercise designed to improve the accuracy of the fee scale for the next appointing period. Fee variations would continue to apply where the local circumstances of an audited body require additional audit work that was not expected at the time the fee scale was set.

## **Standardised fee variations**

Current local audit regulations allow PSAA to approve fee variation requests only at individual bodies, for additional audit requirements that become apparent during the course of an audit year. MHCLG has announced the intention to amend the regulations, following a consultation, to provide more flexibility. This would include the ability for PSAA to approve standardised fee variations to apply to all or groupings of bodies where it may be possible to determine additional fees for some new requirements nationally rather than for each opted-in body individually. Where it is possible to do this, it would have the effect of reducing the need for local fee variations.

## **Approach to social value in the evaluation of tenders**

We plan to retain our original proposal of a 5% weighting but to broaden the criteria by asking bidders to describe the additional social value they will deliver from the contract, which could include the creation of audit apprenticeships and meaningful training opportunities. Bidders will also be asked to describe how their delivery of social value will be measured and evidenced.

## Contract Management

The quality of the audit services received by opted-in bodies is very important to both the bodies themselves and to PSAA. Our intention is therefore to focus a significant majority of the quality assessment of tender submissions on resourcing, capacity and capability (including sector knowledge) and on client relationship management and communication. Correspondingly, we intend to apply a lesser weighting to those criteria that are regularly assessed by the regulator. We will seek the views of the regulator in developing the detail of our approach.

We will also review the contract terms used in 2017 ahead of the next procurement of audit services. In particular we will consider the potential to introduce enhanced performance management arrangements aligned to the greater emphasis on quality within the tender evaluation process. Any such revision must ensure continued compliance with the FRC's Ethical Standard which prevents audit fees from being "*calculated on a predetermined basis relating to the outcome or result of a transaction, or other event, or the result of the work performed*".

## Information and Communication

Following the success of the webinars held to support the recent consultation, PSAA will be running a series of webinars starting in October 2021. The webinars will provide eligible bodies with the opportunity to hear and ask questions about specific areas of scheme arrangements and PSAA's work, and our progress to prepare for the second appointing period. Details of the [webinar series](#) can be found on our website.

## Eligible Principal Bodies in England

The following bodies are eligible to join the proposed national scheme for appointment of auditors to local bodies:

- county councils
- metropolitan borough councils
- London borough councils
- unitary councils
- combined authorities
- passenger transport executives
- police and crime commissioners for a police area
- chief constables for an area
- national park authorities for a national park
- conservation boards
- fire and rescue authorities
- waste authorities
- the Greater London Authority and its functional bodies
- any smaller bodies whose expenditure in any year exceeds £6.5m (e.g. Internal Drainage Boards) or who have chosen to be a full audit authority (Regulation 8 of Local Audit (Smaller Authorities) Regulations 2015).

## **Board Members**

Steve Freer (Chairman)

Keith House

Caroline Gardner CBE

Marta Phillips OBE

Stephen Sellers

PSAA Board members bring a wealth of executive and non-executive experience to the company. Areas of particularly relevant expertise include public governance, management and leadership; local government and contract law; and public audit and financial management.

Further information about PSAA's Board can be found at <https://www.psaa.co.uk/about-us/who-we-are/board-members/>

## **Senior Executive Team**

Tony Crawley, Chief Executive

Sandy Parbhoo, Chief Finance Officer

Andrew Chappell, Senior Quality Manager

Julie Schofield, Senior Manager Business & Procurement

Within the PSAA senior executive team there is extensive and detailed knowledge and experience of public audit, developed through long standing careers either as auditors or in senior finance and business management roles in relevant organisations.

Further information about PSAA's senior team can be found at <https://www.psaa.co.uk/about-us/who-we-are/executive-team/>

# Annex - Procurement Options

## Our Preferred Option

A 5 year contract with the fallback of the right to extend one or more of the current contracts if there are insufficient or unaffordable bids.

## Other Options Considered and Rejected

### Option 1

Extending the existing contracts for 2 years and deferring the procurement. We want to secure 5 year contracts if we can because we believe this option is more attractive to the market.

### Option 2

A 5 year contract with a commitment not to extend the existing contracts. We need the back stop of the right to extend the existing contracts if there are insufficient bids to allow us to make auditor appointments to all opted in bodies or if any of the bids received propose unacceptable prices.

### Option 3

A 5 year contract with pre-determined prices for years 1 and 2 thereby avoiding the need for firms to price in the value of the right to extend the existing contracts. We believe such an arrangement will be unattractive to the market. Firms should be able to offer their own prices for years 1 and 2.

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**TREASURY OPERATIONS MID-YEAR REVIEW**

Committee: Finance & Assets Committee

Date: 25<sup>th</sup> November 2021

Author: Finance Manager

[W110]

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1.0 **ISSUE**

1.1 To provide Members with an update on the Council's 2021/22 Treasury Management Strategy.

2.0 **RECOMMENDATION**

2.1 Members are asked to recommend to Full Council that the mid-year review of the Council's Treasury Management Strategy for 2021/22, as set out in Appendix 1, be noted.

3.0 **BACKGROUND**

3.1 The Chartered Institute of Public Finance and Accountancy (C.I.P.F.A.) Revised Code of Practice on Treasury Management requires councils to adopt the revised Code and fully comply with its requirements.

3.2 This report complies with the requirement for a mid-year review.

3.3 The size of the Council's investment portfolio is relatively small and often short-term meaning that investment decisions are made so liquidity and cash flow requirements are the priority focus, this rather than returns. Despite this position, opportunities for proactive investment decisions are taken where appropriate.

3.4 The loan that the Council has made to East Cambs Trading Company (ECTC) is not technically an investment, but is included in this report for completeness. ECTC is paying a commercial rate of interest on its loan from the Council – this to avoid breaking State-Aid rules.

3.5 The Council's 2021/22 Treasury Management Strategy and budget detailed an expected return on investments of £10,877, with then a further £110,800 from interest payments on the loan to ECTC.

#### **4.0 INTEREST RECEIPTS**

- 4.1 During 2021/22 the Council has operated within its approved treasury limits and Prudential Indicators; no changes have been made to the counterparty values detailed in the Annual Treasury Management Strategy.
- 4.2 The interest receipts generated on investments to the end of September 2021 were £11,184. This is above that forecast in the budget and reflects the higher than expected level of cash that the Council is currently holding. The average return on investments on 30<sup>th</sup> September 2021 was 0.06%, this is above the benchmark 7 day LIBID (London Inter-Bank Bid Rate) which was in negative territory at -0.08%
- 4.4 As at 30<sup>th</sup> September 2021, the Council had cash investments of £31.99 million (£19.60 million 2020), with a further £4.9 million (£5.07 million 2020) loan to ECTC, details of these investments are included in Appendix 1.
- 4.5 While the loan to the Company is not specifically an investment, it is generating the Council interest receipts, £85,632 up until 30<sup>th</sup> September 2021. This is above the budget set at the start of the year as the Company drawdown the full value of the approved loan on the 31<sup>st</sup> March 2021 and has held this throughout the first six-months of the year.
- 4.6 In total, the combination of interest receipts on both general investments and the loan to ECTC, are forecast to come in around £52,500 above budget at yearend.
- 4.7 Interest rates on offer to the Council from Money Market Investment Deposit Accounts or fixed term deposits remain extremely low and at times it has been decided to retain money within the Council's Corporate Cash Manager Plus Account with NatWest, rather than invest relatively small amounts overnight as the transaction costs of moving the money would be greater than the interest earned. This approach complies with the Treasury Management Strategy.

#### **5.0 INTEREST PAYMENTS**

- 5.1 The Council has remained external debt free during the first six months of the financial year, and with the healthy cash balance at the end of September, it is expected to remain so for the remainder of the year.

#### **6.0 CONCLUSIONS**

- 6.1 The Council's Treasury Management Strategy, as approved on 23<sup>rd</sup> February 2021, continues to offer the Council the best approach to Treasury Management and the policies contained within it will continue to be followed for the remainder of the financial year.

## **7.0 FINANCIAL IMPLICATIONS / EQUALITY & CARBON IMPACT ASSESSMENTS**

- 7.1 It is now anticipated that the Treasury Management function will provide additional income of £52,500 when compared to the budgeted amount.
- 7.2 An Equality Impact Assessment is not required.
- 7.3 A Carbon Impact Assessment (CIA) is not required.

## **8.0 APPENDICES**

- 8.1 Appendix 1: Mid-Year Review Report 2021/22

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BACKGROUND DOCUMENTS	LOCATION	CONTACT OFFICER
Treasury Management Strategy as approved by Council on 23 <sup>rd</sup> February 2021	Room 104 The Grange Ely	Ian Smith (01353) 616470 E-mail: <a href="mailto:ian.smith@eastcambs.gov.uk">ian.smith@eastcambs.gov.uk</a>
Link Asset Services Revised Interest Rate Forecast		

# Treasury Management Strategy Statement and Annual Investment Strategy

**Mid-Year Review Report 2021/22**

**East Cambridgeshire District Council**

# 1. Background

## 1.1 Capital Strategy

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. These require all local authorities to prepare a Capital Strategy which is to provide the following: -

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

## 1.2 Treasury Management

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

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

Accordingly, treasury management is defined as:

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

# 2. Introduction

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is Finance and Assets Committee.

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first half of the 2021/22 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2021/22;
- A review of the Council's borrowing strategy for 2021/22;
- A review of compliance with Treasury and Prudential Limits for 2021/22.

## 3. Economics and interest rates

### 3.1 Economics update

#### MPC meeting 24<sup>th</sup> September 2021

- The Monetary Policy Committee (MPC) voted unanimously to leave Bank Rate unchanged at 0.10% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn; two MPC members voted to stop the last £35bn of purchases as they were concerned that this would add to inflationary pressures.
- There was a major shift in the tone of the MPC's minutes at this meeting from the previous meeting in August which had majored on indicating that some tightening in monetary policy was now on the horizon, but also not wanting to stifle economic recovery by too early an increase in Bank Rate. In his press conference after the August MPC meeting, Governor Andrew Bailey said, "the challenge of avoiding a steep rise in unemployment has been replaced by that of ensuring a flow of labour into jobs" and that "the Committee will be monitoring closely the incoming evidence regarding developments in the labour market, and particularly unemployment, wider measures of slack, and underlying wage pressures." In other words, it was flagging up a potential danger that labour shortages could push up wage growth by more than it expects and that, as a result, CPI inflation would stay above the 2% target for longer. It also discounted sharp increases in monthly inflation figures in the pipeline in late 2021 which were largely propelled by events a year ago e.g., the cut in VAT in August 2020 for the hospitality industry, and by temporary shortages which would eventually work their way out of the system: in other words, **the MPC had been prepared to look through a temporary spike in inflation.**
- So, in August the country was just put on alert. However, this time the MPC's words indicated there had been a marked increase in concern that more recent increases in prices, particularly the increases in gas and electricity prices in October and due again next April, are, indeed, likely to lead to **faster and higher inflation expectations and underlying wage growth, which would in turn increase the risk that price pressures would prove more persistent next year than previously expected. Indeed, to emphasise its concern about inflationary pressures, the MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement;** this suggested that it was now willing to look through the flagging economic recovery during the summer to prioritise bringing inflation down next year. This is a reversal of its priorities in August and a long way from words at earlier MPC meetings which indicated a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was 'sustainably over 2%'. Indeed, whereas in August the MPC's focus was on getting through a winter of temporarily high energy prices and supply shortages, believing that inflation would return to just under the 2% target after reaching a high around 4% in late 2021, now its primary concern is that underlying price pressures in the economy are likely to get embedded over the next year and elevate future inflation to stay significantly above its 2% target and for longer.
- Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022, but this looks ambitious as the MPC has stated that it wants to see what happens to the economy, and particularly to employment once furlough ends at the end of September. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would need to wait until the May meeting when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation.
- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -

1. Placing the focus on raising Bank Rate as “the active instrument in most circumstances”.
  2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
  3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
  4. Once Bank Rate had risen to at least 1%, it would start selling its holdings.
- **COVID-19 vaccines.** These have been the game changer which have enormously boosted confidence that **life in the UK could largely return to normal during the summer** after a third wave of the virus threatened to overwhelm hospitals in the spring. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in hard hit sectors like restaurants, travel and hotels. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread.

**US.** See comments below on US treasury yields.

**EU.** The slow roll out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate has picked up sharply since then. After a contraction in GDP of -0.3% in Q1, Q2 came in with strong growth of 2%, which is likely to continue into Q3, though some countries more dependent on tourism may struggle. Recent sharp increases in gas and electricity prices have increased overall inflationary pressures but the ECB is likely to see these as being only transitory after an initial burst through to around 4%, so is unlikely to be raising rates for a considerable time.

German general election. With the CDU/CSU and SPD both having won around 24-26% of the vote in the September general election, the composition of Germany's next coalition government may not be agreed by the end of 2021. An SPD-led coalition would probably pursue a slightly less restrictive fiscal policy, but any change of direction from a CDU/CSU led coalition government is likely to be small. However, with Angela Merkel standing down as Chancellor as soon as a coalition is formed, there will be a hole in overall EU leadership which will be difficult to fill.

**China.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of the year; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021. However, the pace of economic growth has now fallen back after this initial surge of recovery from the pandemic and China is now struggling to contain the spread of the Delta variant through sharp local lockdowns - which will also depress economic growth. There are also questions as to how effective Chinese vaccines are proving. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

**Japan.** 2021 has been a patchy year in combating Covid. However, after a slow start, nearly 50% of the population are now vaccinated and Covid case numbers are falling. After a weak Q3 there is likely to be a strong recovery in Q4. The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was negative in July. New Prime Minister Kishida has promised a large fiscal stimulus package after the November general election – which his party is likely to win.

**World growth.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. It is likely that we are heading into a period where there will be a reversal of **world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

**Supply shortages.** The pandemic and extreme weather events have been highly disruptive of extended worldwide supply chains. At the current time there are major queues of ships unable to unload their goods at ports in New York, California and China. Such issues have led to mis-distribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods on shelves.

### 3.2 Interest rate forecasts

The Council's treasury advisor, Link Group, provided the following forecasts on 29<sup>th</sup> September 2021 (PWLB rates are certainty rates, gilt yields plus 80bps):

Link Group Interest Rate View		29.9.21								
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
<b>BANK RATE</b>	0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

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 has left the Bank Rate unchanged at its subsequent meetings.

As shown in the forecast table above, one increase in Bank Rate from 0.10% to 0.25% has now been included in quarter 2 of 2022/23, a second increase to 0.50% in quarter 2 of 23/24 and a third one to 0.75% in quarter 4 of 23/24.

#### Significant risks to the forecasts

- COVID vaccines do not work to combat new mutations and/or new vaccines take longer than anticipated to be developed for successful implementation.
- The pandemic causes major long-term scarring of the economy.
- The Government implements an austerity programme that suppresses GDP growth.
- The MPC tightens monetary policy too early – by raising Bank Rate or unwinding QE.
- The MPC tightens monetary policy too late to ward off building inflationary pressures.
- Major stock markets e.g. in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market sell-offs on the general economy.

- Geo-political risks are widespread e.g. German general election in September 2021 produces an unstable coalition or minority government and a void in high-profile leadership in the EU when Angela Merkel steps down as Chancellor of Germany; on-going global power influence struggles between Russia/China/US.

### **The balance of risks to the UK economy: -**

The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.

### **Forecasts for Bank Rate**

Bank Rate is not expected to go up fast after the initial rate rise as the supply potential of the economy has not generally taken a major hit during the pandemic, so should be able to cope well with meeting demand without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the surge to around 4% towards the end of 2021. Three increases in Bank rate are forecast in the period to March 2024, ending at 0.75%. However, these forecasts may well need changing within a relatively short time frame for the following reasons:-

- There are increasing grounds for viewing the economic recovery as running out of steam during the summer and now into the autumn. This could lead into stagflation which would create a dilemma for the MPC as to which way to face.
- Will some current key supply shortages e.g., petrol and diesel, spill over into causing economic activity in some sectors to take a significant hit?
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation. Then we have the Government's upcoming budget in October, which could also end up in reducing consumer spending power.
- On the other hand, consumers are sitting on around £200bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- There are 1.6 million people coming off furlough at the end of September; how many of those will not have jobs on 1<sup>st</sup> October and will, therefore, be available to fill labour shortages in many sectors of the economy? So, supply shortages which have been driving up both wages and costs, could reduce significantly within the next six months or so and alleviate the MPC's current concerns.
- There is a risk that there could be further nasty surprises on the Covid front, on top of the flu season this winter, which could depress economic activity.

In summary, with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will need to be revised again soon - in line with what the new news is.

It also needs to be borne in mind that Bank Rate being cut to 0.10% was an emergency measure to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away that final emergency cut from 0.25% to 0.10% on the grounds of it no longer being warranted and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

### **Forecasts for PWLB rates and gilt and treasury yields**

As the interest forecast table for PWLB certainty rates above shows, there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US.

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

- How strongly will changes in gilt yields be correlated to changes in US treasury yields?
- Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong will inflationary pressures turn out to be in both the US and the UK and so impact treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the “taper tantrums” in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

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

### **Gilt and treasury yields**

Since the start of 2021, there has been a lot of volatility in gilt yields, and hence PwLB rates. During the first part of the year, US President Biden’s, and the Democratic party’s determination to push through a \$1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the \$900bn support package already passed in December 2020 under President Trump. This was then followed by additional Democratic ambition to spend further huge sums on infrastructure and an American families plan over the next decade which are caught up in Democrat / Republican haggling. Financial markets were alarmed that all this stimulus, which is much bigger than in other western economies, was happening at a time in the US when: -

1. A fast vaccination programme has enabled a rapid opening up of the economy.
2. The economy had already been growing strongly during 2021.
3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries. A combination of shortage of labour and supply bottle necks is likely to stoke inflationary pressures more in the US than in other countries.
4. And the Fed was still providing monetary stimulus through monthly QE purchases.

These factors could cause an excess of demand in the economy which could then unleash stronger and more sustained inflationary pressures in the US than in other western countries. This could then force the Fed to take much earlier action to start tapering monthly QE purchases and/or increasing the Fed rate from near zero, despite their stated policy being to target average inflation. It is notable that some Fed members have moved forward their expectation of when the first increases in the Fed rate will occur in recent Fed meetings. In addition, more recently, shortages of workers appear to be stoking underlying wage inflationary pressures which are likely to feed through into CPI inflation. A run of strong monthly jobs growth figures could be enough to meet the threshold set by the Fed of “substantial further progress towards the goal of reaching full employment”. However, the weak growth in August, (announced 3.9.21), has spiked anticipation that tapering of monthly QE purchases could start by the end of 2021. These purchases are currently acting as downward pressure on treasury yields. As the US financial markets are, by far, the biggest financial markets in the world, any trend upwards in the US will invariably impact and influence financial markets in other countries. However, during June and July, longer term yields fell sharply; even the large non-farm payroll increase in the first week of August seemed to cause the markets little concern, which is somewhat puzzling, particularly in the context of the concerns of many commentators that inflation may not be as transitory as the Fed is expecting it to be. Indeed, inflation pressures and erosion of surplus economic capacity look much stronger in the US than in the UK. **As an average since 2011, there has been a 75% correlation between movements in 10 year treasury yields and 10 year gilt**

**yields. This is a significant UPWARD RISK exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.**

There are also possible **DOWNSIDE RISKS** from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting around to not reinvesting maturing gilts and then later selling gilts, will be interesting to keep an eye on.

**The balance of risks to medium to long term PWLB rates: -**

There is a balance of upside risks to forecasts for medium to long term PWLB rates.

### **A new era – a fundamental shift in central bank monetary policy**

One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on ‘achieving broad and inclusive “maximum” employment in its entirety’ in the US before consideration would be given to increasing rates.

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be ‘sustainably over 2%’ and the ECB now has a similar policy.
- For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.
- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

## 4. Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy Statement, (TMSS), for 2021/22 was approved by this Council on 23<sup>rd</sup> February 2021.

There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

<b>Prudential Indicator 2021/22</b>	<b>Original £000</b>	<b>Revised Prudential Indicator £000</b>
Authorised Limit	10,000	10,000
Operational Boundary	0	0
Capital Financing Requirement	13,731	10,806

## 5. The Council's Capital Position (Prudential Indicators)

### 5.1 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed as part of the Budget.

<b>Capital Expenditure by Service</b>	<b>2021/22 Original Estimate £000</b>	<b>Current Position £000</b>	<b>2021/22 Revised Estimate £000</b>
Operational Services	2,841	(287)	1,321
Finance & Assets	986	2	1,439
<b>Total capital expenditure</b>	<b>3,827</b>	<b>(285)</b>	<b>2,760</b>

The forecast capital spend for the year is now lower than planned in the budget. The budget has been increased to reflect the carry forward of capital slippage from 2020/21, the additional Disability Facilities Grant (DFG) that has been awarded to the Council and the new loan facility being offered to East Cambs Community Land Trust (ECCLT) as approved by Full Council on the 29<sup>th</sup> April 2021.

The revised budget is however expected to be underspent by £2,000,000, this in relation to Waste vehicles. The Council has delayed the purchase of new vehicles while the details of the Government's Waste Strategy become clear and it is now thought unlikely that any vehicles will be received and put into service this year.

### 5.2 Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision).

Capital Expenditure	2021/22 Original Estimate £000	2021/22 Revised Estimate £000
<b>Total capital expenditure</b>	<b>3,827</b>	<b>2,760</b>
Financed by:		
Capital receipts	266	664
Capital grants	526	608
CIL / Section 106	89	1,352
<b>Total financing</b>	<b>881</b>	<b>2,624</b>
<b>Borrowing requirement</b>	<b>2,946</b>	<b>136</b>

As well as the underspend on Waste vehicles as in 5.1 above, the borrowing requirement is also reduced as it is now planned to use £1.1 million of CIL funding in 2021/22 to fund historic Leisure Centre building costs, thus reducing the borrowing requirement for this project.

### 5.3 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

#### Prudential Indicator – Capital Financing Requirement

We are on target to achieve the revised Capital Financing Requirement, this having been increased to reflect the additional borrowing as a consequence of the Council's approval of the loan to ECCLT.

#### Prudential Indicator – the Operational Boundary for external debt

	2021/22 Original Estimate £000	2021/22 Revised Estimate £000
CFR – brought forward	11,178	11,051
CFR – new borrowing	2,946	136
CFR – Minimum Revenue Provision	(393)	(381)
<b>Total CFR</b>	<b>13,731</b>	<b>10,806</b>
<b>Net movement in CFR</b>	<b>2,553</b>	<b>(245)</b>
External Borrowing	0	0
Internal Borrowing	13,731	10,806
<b>Total debt (year end position)</b>	<b>13,731</b>	<b>10,806</b>

### 5.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose\*. **Gross external borrowing** should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	<b>2021/22 Original Estimate £000</b>	<b>2021/22 Revised Estimate £000</b>
External Borrowing	0	0
Other long term liabilities	0	0
<b>Total external debt</b>	<b>0</b>	<b>0</b>
<b>CFR (year end position)</b>	<b>13,731</b>	<b>10,806</b>

A further prudential indicator controls the overall level of borrowing. This is **the Authorised Limit** which represents the limit beyond which external borrowing is prohibited and needs to be set and revised by Members. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum external borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

<b>Authorised limit for external debt</b>	<b>2021/22 Original Indicator £000</b>	<b>2021/22 Revised Indicator £000</b>
External Borrowing	10,000	10,000
Other long term liabilities	0	0
<b>Total</b>	<b>10,000</b>	<b>10,000</b>

## 6. Borrowing

The Council's capital financing requirement (CFR) predicted for the end of 2021/22 is £13.906 million. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. Table 5.3 shows the Council has no external borrowing and is forecast at yearend to have utilised £13.906 million of cash flow funds in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring in the event that any upside risk to gilt yields prevails.

### **PWLB maturity certainty rates (gilts plus 80bps) year to date to 30th September 2021**

Gilt yields and PWLB rates were on a falling trend between May and August. However, they rose sharply towards the end of September.

The 50 year PWLB target certainty rate for new long-term borrowing started 2021/22 at 1.90%, rose to 2.00% in May, fell to 1.70% in August and returned to 2.00% at the end of September after the MPC meeting of 23<sup>rd</sup> September.

The current PWLB rates are set as margins over gilt yields as follows: -.

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

## 7. Compliance with Treasury and Prudential Limits

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30<sup>th</sup> September 2021, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy for 2021/22. The Finance Manager reports that no difficulties are envisaged for the current or future years in complying with these indicators.

All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

## 8. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2021/22, which includes the Annual Investment Strategy, was approved by the Council on 23<sup>rd</sup> February 2021. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to twelve months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

As shown by the interest rate forecasts in section 3.2, it is now impossible to earn the level of interest rates commonly seen in previous decades as all short-term money market investment rates have only risen weakly since Bank Rate was cut to 0.10% in March 2020 until the MPC meeting on 24<sup>th</sup> September 2021 when six and twelve month rates rose in anticipation of Bank Rate going up in 2022. Given this environment and the fact that Bank Rate may only rise marginally, or not at all, before mid-2023, investment returns are expected to remain low.

### **Creditworthiness.**

Significant levels of downgrades to Short and Long Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

### **Investment Counterparty criteria**

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

### **CDS prices**

Although CDS prices (these are market indicators of credit risk) for banks (including those from the UK) spiked at the outset of the pandemic in 2020, they have subsequently returned to near pre-pandemic levels. **However, sentiment can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.**

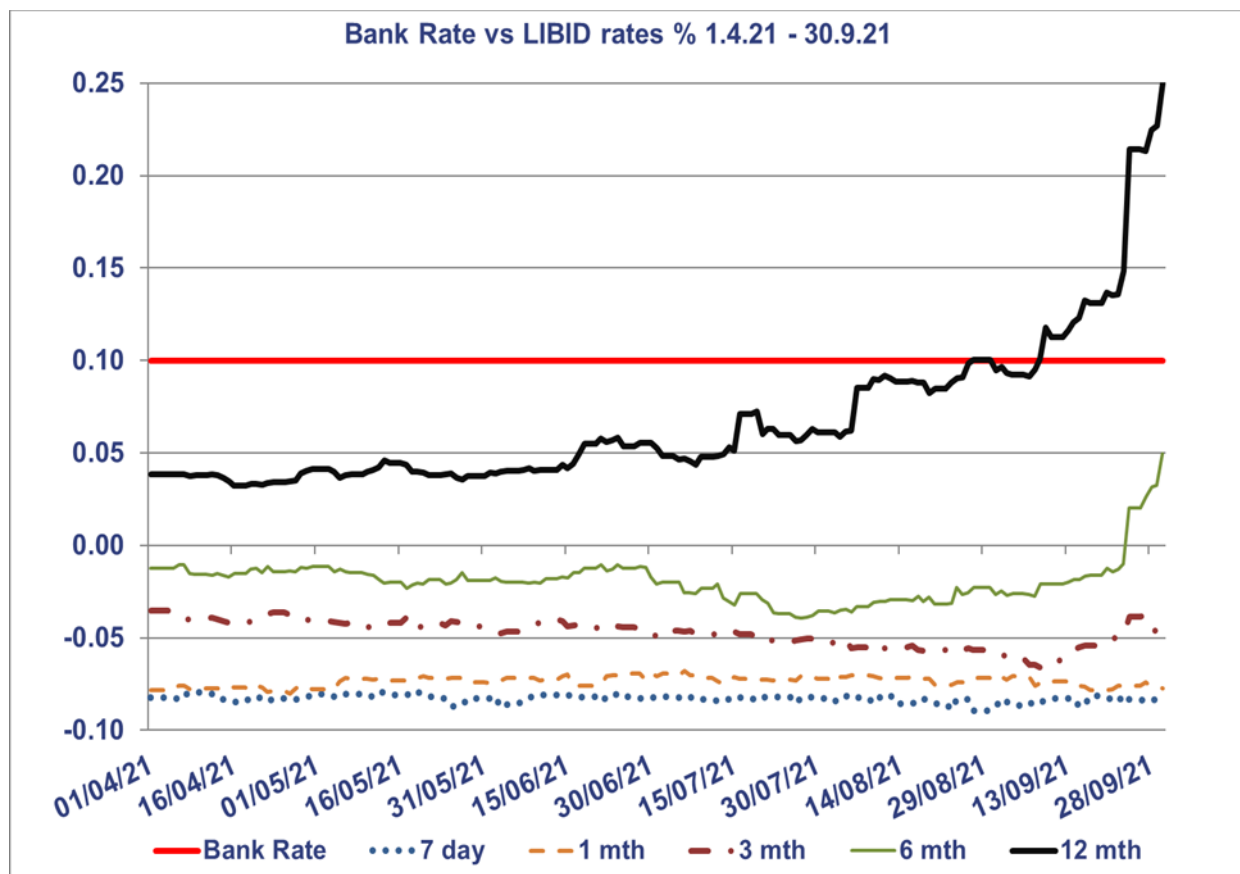
### **Investment balances**

The Council had a fluctuating level of funds available for investment purposes during the first half of the year, the amount carried forward from 2020/21 was £18.865 million and this had risen to £31.990 million at 30<sup>th</sup> September 2021. These funds were available on a temporary basis, and the level of

funds available was mainly dependent on the timing of precept payments, receipt of grants and other income (such as the money from Cambridgeshire Horizons) and progress on the capital programme.

### Investment rates during half year ended 30<sup>th</sup> September 2021

As highlighted earlier in this report, the levels shown below use the traditional market method for calculating LIBID rates – i.e., LIBOR – 0.125%. Given the ultra-low LIBOR levels this year, this produces negative rates across some periods.



	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
<b>High</b>	0.10	-0.08	-0.07	-0.04	0.05	0.25
<b>High Date</b>	01/04/2021	09/04/2021	06/07/2021	01/04/2021	30/09/2021	30/09/2021
<b>Low</b>	0.10	-0.09	-0.08	-0.07	-0.04	0.03
<b>Low Date</b>	01/04/2021	27/08/2021	26/04/2021	08/09/2021	27/07/2021	16/04/2021
<b>Average</b>	0.10	-0.08	-0.07	-0.05	-0.02	0.07
<b>Spread</b>	0.00	0.01	0.01	0.03	0.09	0.22

## Fund investments

The full list of investments at the 30<sup>th</sup> September 2021 are detailed in the table below.

<b>Borrower</b>	<b>Principle</b>	<b>Interest Rate</b>
MMF BlackRock	£5,000,000	0.01%
MMF Insight	£5,000,000	0.00%
MMF Aberdeen	£5,000,000	0.01%
MMF Goldman Sachs	£5,000,000	0.00%
Lloyds (BOS)	£5,000,000	0.03%
Santander	£4,000,000	0.45%
NatWest PLC (RFB)	£2,986,393	0.01%
<b>Total</b>	<b>£31,986,393</b>	

The Finance Manager confirms that the approved limits within the Annual Investment Strategy were not breached during the half-year ended 30<sup>th</sup> September 2021.

## Approved limits

The Finance Manager can confirm that the approved limits within the Annual Investment Strategy were not breached during the period ended 30<sup>th</sup> September 2021.

**AGENDA ITEM NO 6**

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**TITLE: LOCAL COUNCIL TAX REDUCTION SCHEME (LCTRS) FOR 2022/23**

Committee: Finance and Assets Committee

Date: 24<sup>th</sup> January 2022

Author: Finance Manager & Section 151 Officer

[W134]

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**1. ISSUE**

1.1 To review the 2021/22 scheme and consider options for the Local Council Tax Reduction Scheme (LCTRS) for 2022/23.

**2. RECOMMENDATION**

2.1 Committee is asked to recommend to Full Council that the changes detailed in this report be approved and thus to amend East Cambridgeshire District Council's Local Council Tax Reduction Scheme 2022/23 by:

- Reducing the capital threshold from £16,000 to £10,000 and abolishing tariff income.
- Introducing a fixed rate reduction of £7.40 for non-dependants.
- Further streamlining the claim process.
- Increasing the tolerance for Universal Credit data re-assessments from £65 per month to £100 per month.

**3. MATTERS TO CONSIDER**

3.1 Councils are required to consider whether to review their LCTRS schemes annually. Where it is determined to retain the existing scheme for the forthcoming year this must be decided by 11<sup>th</sup> March.

3.2 Where Councils seek to amend their scheme, it is necessary to consult preceptors and stakeholders along with a consultation to inform a final scheme design by 28<sup>th</sup> February.

3.3 The current East Cambridgeshire District Council Working Age LCTRS scheme provides a maximum benefit of 91.5% for working age claimants and the scheme also fully protects War Pensioners. The aim in designing the scheme was to achieve a balance in charging an amount of Council Tax to encourage customers back into work whilst setting the amount charged at an affordable and recoverable level during the year.

3.4 A statutory scheme applies to Pensioners who can receive up to a maximum 100% reduction of their Council Tax bill.

#### **4. BACKGROUND**

- 4.1 We are now in the ninth year of LCTRS; a locally set scheme that replaced the previous national Council Tax Benefit (CTB) scheme from April 2013.
- 4.2 In 2013/14 the Council took advantage of a one-off Government grant that compensated in part for the reduction in Government funding for the Working Age scheme that year. This meant that the maximum LCTRS awarded was the 91.5%.
- 4.3 For 2014/15 to 2017/18 the Council retained the original scheme, except that allowances and premiums (the amounts of income from state-administered benefits such as Jobseekers' Allowance) were increased in line with other benefits such as Housing Benefit.
- 4.4 For the 2018/19 scheme the Council approved and introduced a proposal to harmonise the scheme with DWP welfare reforms introduced for Housing Benefit and LCTRS for Pensioners and introduced closer links to Universal Credit data share for claims, thereby removing the requirement to make a separate claim.
- 4.5 For 2019/20 the Council kept the same scheme as for 2018/19.
- 4.6 For 2020/21 the Council introduced a fluctuating earnings rule to the treatment of Universal Credit (UC). A weekly tolerance level of £15 (£65 monthly) was introduced to reduce the number of monthly reassessments impacting customers every time a revised Universal Credit notification is received.
- 4.7 For 2021/22 there were no changes implemented and the 2020-21 scheme was retained.

#### **5.0 PROPOSALS**

- 5.1 The proposed changes to the East Cambridgeshire District Council Local Council Tax Reduction Scheme that should take effect from 1<sup>st</sup> April 2022 are as follows. If implemented, these changes would affect:
- The threshold for how much capital a customer can own (for example, savings) and still be entitled to a Council Tax reduction
  - The impact that living with non-dependent adult friends or family members has on the Council Tax reduction that a customer receives
  - The relationship between the application processes for Universal Credit and for Local Council Tax Reduction
  - The way in which fluctuations in a customer's earnings are taken into account in LCTRS.

## **PROPOSAL 1**

5.2 It is proposed to lower the 'capital threshold' for Local Council Tax Reduction from £16,000 to £10,000 and remove the requirement to pay a tariff on savings over £6,000.

5.3 The capital threshold is the amount of capital (for example, savings) that a customer can own and still receive a reduction on their Council Tax. This proposal is intended both to ensure support is focused on those customers who most need it and to remove the need for customers to provide evidence (where there is an over £250 change to their capital) of their capital in order for 'tariff income' to be calculated. ('Tariff income' is a measure that the Government uses for all benefits to calculate how much income a customer could theoretically earn from their capital, even if they don't earn it).

### **5.4. IMPACT OF PROPOSAL 1**

This proposal would result in:

- A simplified scheme reducing the burden on customer and evidence requirements
- A reduced number of claim adjustments as there would be no requirement to notify changes in capital of £250 or more
- More streamlined customer experience and reduced processing times for universal credit claims as tariff income details are not provided in DWP data share records

Targeting help to those most in need as those with less capital will receive increased awards and those who no longer qualify will have more than £10,000 capital.

5.5 Modelling suggests that this proposal would have the following impact on customers

Customers with capital above £10,000 will no longer be entitled to LCTRS. This represents 91.5% of every Council Tax band. These customers would re-enter LCTRS if their capital fell below £10,000.

Simplification would enable us to provide quicker decisions to such customers as the need to manually calculate tariff income would be removed. It is estimated that seven customers would gain under this option with eleven customers paying more Council Tax. This option will have no financial cost to the Council and is estimated to reduce the reliefs provided by £11,171.

If the Council were to remove the tariff income but retain the current capital limit of £16,000 this would result in seven customers receiving more benefit with an estimated cost to the Council of £953.

## **5.6 PROPOSAL 2**

It is proposed to set a fixed deduction of £7.40 on the amount of Council Tax reduction a customer on 'non-passported benefits' (see definition below) is entitled to if they live with non-dependent adult family members or friends. Currently, the amount of deduction must be calculated individually and can cause problems when the non-dependent family members or friends refuse to, or forget to, let the customer know about changes in their circumstances.

- 5.7 Non-passported benefits is a DWP term. 'Passported' means people in receipt of DWP prescribed benefits; the income-based elements of Income Support, Jobseekers Allowance and Employment Support Allowance for whom a council does not have to undertake a separate means-tested exercise and evidence gather to determine Council Tax Support or Housing Benefit. 'Non passported' means a council must undertake that separate exercise, usually because people have earnings / income exceeding those benefit thresholds. 'Passported' customers automatically receive full Council Tax Support up to the non-contribution rate (91.5%) or full Housing Benefit whilst non-passported customers will have to make some contribution towards the 91.5% charge of their Council Tax; both cohorts must pay the minimum 8.5% as required within East Cambridgeshire's scheme.
- 5.8 The proposed change would speed up benefits claims and reduce the number of adjustments needed every time an adult household member's income changes, would provide certainty over LCTRS entitlement, and would also reduce the potential for mistakes which can lead to arrears. Customers who are entitled to a severe disability premium would not be affected by this change and would continue to be exempt from non-dependent deductions.
- 5.9 This proposal would result in:
- Reduced burden on customer and evidence requirements
  - Reduced number of claim adjustments as there would be no requirement to notify changes in non-dependent income. This is something the customer is not always aware of or able to obtain verification of themselves
  - The functionality to verify and receive automatic income updates from DWP and HMRC does not extend to non-dependents meaning verification is always a manual process and the onus is solely on the customer to identify and report changes for their adult household members
  - More streamlined customer experience and quicker processing times for Universal Credit claims as DWP do not gather details of non-dependents'

income and the responsibility on the Council to obtain this missing information delays claim processing

- Harmonisation with Universal Credit where there is already a flat-rate non-dependent deduction

Delays in and failure to provide non-dependent income details results in incorrect LCTRS awards, often impacting Council Tax collection and arrears.

5.10 An administrative consequence of this proposal would be that Anglia Revenue Services (ARP's) ability to increase automation and provide decisions to customers in one day would be extended to those with non-dependents, as the need to request follow up details would be removed.

5.11 Modelling suggests that this proposal would have the following impact on customers:

There are likely to be 94 who will be better off because of this change and 92 customers who would receive less benefit.

Meanwhile, there would be a much-reduced risk of incorrect LCTRS awards and arrears, due to the fixed rate.

### **5.12 PROPOSAL 3**

East Cambridgeshire District Council is proposing to simplify the application process for LCTRS by requiring all customers to apply to DWP rather than direct to the Council. Whereas previously, customers submitted separate claims for LCTRS, the proposals would mean customers would in future only need to apply for benefits through DWP, who will automatically notify ARP if someone is eligible for LCTRS.

### **5.13 IMPACT OF PROPOSAL 3**

We expect this proposal will minimise customer engagement, improve speed of administration and improve processing times for customers by:

- Clarifying the customer journey by removing any confusion that a separate claim is require
- Reducing customer burden to provide evidence through making a non-UC claim
- Removing requirement for both DWP and ARP to verify the same income details
- Maximising customer income by signposting customers to claim Universal Credit
- Makes full use of DWP data share functionality

There will be no financial impact on customers. Customers who complete a contact form will be advised to complete a Universal Credit application form, which will automatically trigger an application for LCTRS. There will be a

fallback option where in exceptional circumstances, a customer could still apply direct to ARP.

#### **5.14 PROPOSAL 4**

- 5.15 The Council is proposing to adjust the current rule whereby customers' income can vary up to £65 a month (£15 a week) before a reassessment is required, to £100 a month. Since the £65 threshold was introduced in 2020, ARP have seen a significant reduction in adjustment notifications, direct debit amendments and refunds. It has also given customers greater certainty to enable them to manage their payments and household budgets.
- 5.16 A review of the current rule suggests that if the threshold was increased from £65 to £100 a month, it would further improve financial certainty for customers and streamline the process.
- 5.17 ARP will continue to have discretion to review exceptional cases and override the rule, however, this has not been necessary since the £65 threshold was introduced, because most cases have monthly fluctuations which even out any impact over the course of a year.

#### **5.18 IMPACT OF PROPOSAL 4**

- 5.19 In April 2020 a tolerance rule of £65 per month was introduced which meant we no longer reassessed income changes of less than £15 per week for UC customers.
- 5.20 UC is designed to be paid monthly, calculated on the customer's circumstances, including Real Time Information (RTI) earnings data from HM Revenue and Customs. Given customers' circumstances, especially earnings, fluctuate, this leads to significant volumes of monthly revised UC awards sent to the Council by the DWP.
- 5.21 Due to the tolerance rule such customers have seen a reduction by one third in Council Tax adjustment notifications, as well as a reduction in direct debit amendments and the need to request a refund. This has provided greater certainty to customers to enable them to manage their payments and household budgets, with it being well received and working as expected.
- 5.22 The introduction of a fluctuating earnings rule has been particularly beneficial given the significant increase in the Covid-19 workload for ARP, which peaked at a 500% increase compared to the same point last year, before reducing to 200% and now starting to return to normal levels.
- 5.23 A review of the tolerance rule suggests increasing the figure from £65 per month to £100 per month would further reduce the need for re-assessments from a third to a half, thereby providing more customers with stable payment arrangements, fewer adjustments and improved financial certainty. By retaining the discretion to review exceptional cases

we will be able to override the rule in the case of a single beneficial change being reported. However, ARP are yet to see a case where discretion has been needed with the current £65 tolerance, given most cases have monthly fluctuations reported which evens out any impact of applying the tolerance over the course of a year.

## 6. **ARGUMENTS / CONCLUSIONS**

### **Consultation exercise**

- 6.1 The consultation commenced on Friday 15<sup>th</sup> October 2021 and concluded on Sunday 28<sup>th</sup> November 2021. As the changes proposed were relatively small, this period of consultation was considered appropriate.
- 6.2 The Consultation was available on the Council's and ARP's websites with, in addition, to get as much interest as possible, everyone on the Council's Register of Consultees that had expressed an interest in 'corporate issues' and 'housing and homelessness', the consultees on a list provided by ARP and the Council's major preceptors all being notified direct where to find the consultation document.

### **Consultation Results**

- 6.3 Nine responses were received to the consultation. All responses were anonymous, so it is unknown who completed them.
- 6.4 Each of the responders answered questions on each of the four proposals:
- 33.3% of respondents agree or strongly agree with the proposed capital rules changes, 33.3% disagree / strongly disagree and 33.3% were not sure. The not sure respondents did not add any comments as to why they were unsure of this proposed change.
  - 55.44% of respondents agreed or strongly agree with the proposed fixed rate non-dependent deduction, 11.1% disagree / strongly disagree and 33.33% were unsure.
  - 66.6% of respondents agree or strongly agree with the simplification of the CTRS application process while 33.3% disagree / strongly disagree with the proposal.
  - 77.7% of respondents agree or strongly agree with increasing the amount used within the tolerance rule with 22.2% either disagree or strongly disagree with the proposal.

### **Conclusion**

- 6.5 The consultation exercise resulted a relatively small response. Most respondents agree or strongly agree with the proposals except the capital changes as all three answers received the same percentage.

6.6 Members are asked to recommend to Full Council at its meeting planned for the 24<sup>th</sup> February 2022 to adopt the changes detailed.

## 7.0 **FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT**

### **Financial**

7.1 The recommendations in this paper will not have a material impact on the Council Tax collected by the Council, this as the recommendation is to leave the non-relief discount at 8.5%.

### **Equality**

7.2 The existing LCTRS scheme continues the DWP's previous Council Tax Benefit scheme conventions established over many years, regarding protections for vulnerable groups, including children, the disabled and the Armed Forces.

7.3 A Carbon Impact Assessment is not required.

## 8.0 **APPENDICES**

Appendix A – East Cambridgeshire District Council Survey  
Appendix B - East Cambridgeshire District Council CTRS Scheme Consultation responses.

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<u>Background Documents</u>	<u>Location</u>	<u>Contact Officer</u>
Finance & Assets Committee meeting, 5 <sup>th</sup> Oct 2021, Agenda Item 6: "Local Council Tax Reduction Scheme (LCTRS) For 2022/23"	Room 104 The Grange Ely	Ian Smith Finance Manager & Section 151 Officer Tel: (01353) 616470 E-mail: <a href="mailto:ian.smith@eastcambs.gov.uk">ian.smith@eastcambs.gov.uk</a>

East Cambridgeshire District Council CTRS Consultation Survey Results

	<b>Proposal 1</b> <b>Capital changes</b> East Cambridgeshire District Council is proposing to lower the ‘capital threshold’ for Local Council Tax Reduction from £16,000 to £10,000 and remove the requirement to pay a tariff on savings.	<b>Proposal 2</b> <b>Fixed deduction.</b> East Cambridgeshire District Council is proposing to set a fixed deduction on the amount of Council Tax reduction a customer is entitled to if they live with non-dependent adult family members or friends. At the moment, the amount of deduction has to be calculated individually and can cause problems when the non-dependent family member or friend refuse to, or forget to, let the customer know about changes in their circumstances.	<b>Proposal 3</b> <b>Simplify LCTRS application process</b> East Cambridgeshire District Council is proposing to simplify the application process for LCTRS by requiring all customers to apply to DWP rather than direct to the Council. Whereas previously, customers submitted separate claims for LCTRS, the proposals would mean customers would in future only need to apply for benefits through DWP, who will automatically notify ARP if someone is eligible for LCTRS.	<b>Proposal 4</b> <b>Increase tolerance rule from £65 to £100 a month</b> The Council is proposing to adjust the current rule whereby customers’ income can vary up to £65 a month (£15 a week) before a reassessment is required, to £100 a month. Since the £65 threshold was introduced in 2020, ARP have seen a significant reduction in adjustment notifications, direct debit amendments and refunds. It has also given customers greater certainty to enable them to manage their payments and household budgets.
Strongly agree	22.2%	11.1%	22.2%	33.3%
Agree	11.1%	44.44%	44.4%	44.4%
Unsure	33.33%	33.33%		
Disagree	11.1%		11.1%	
Strongly disagree	22.2%	11.1%	22.2%	22.2%

(9 Responses)

**Appendix B: Responses to consultation on proposed changes to East Cambridgeshire District Council Local Council Tax Reduction Scheme 2022/23**

	<b>Question</b>	<b>Consultees' responses</b>	<b>East Cambridgeshire District Council response</b>
1	<p><b>Proposal 1.</b> Do you agree with the proposal to lower the 'capital threshold' for Local Council Tax Reduction from £16,000 to £10,000, and remove the requirement to pay a tariff on savings over £6,000?</p>	<p>Agree – 3, Don't know - 3, Disagree – 3</p> <p>The respondent who disagreed said:</p> <p>"Customer purses already being squeezed by other increases n essential goods/services including Council Tax rates"</p> <p>"People are encouraged to save for various reasons; essential maintenance work or home improvements or a new vehicle to get to work as public transport is so poor in rural areas. Then if you lose your job and need to claim benefits, this money is taken into account and either works or purchases can no longer happen and £16,000 is not last very long"</p> <p>"Reduction in Council Tax should not be 'wealth' dependent but based purely on personal circumstances, such as sole occupancy or the like"</p>	<p>This change is specifically intended to help simplify the scheme, improve the customer experience, reduce the need for reporting changes to capital of £250 or more and the burden of evidence provision. It also ensures we target help to those most in need as those with less capital will receive increased awards and those who no longer qualify will have more than £10,000 capital As with all means tested schemes there is a level where customers' savings or income results preclude assistance. If customers savings decrease below this level £10,000 a customer may make a further claim for LCTRS assistance.</p> <p>Discounts and exemptions do exist which are based on criteria such as sole or main resident, disability, or student status. Council Tax Reduction Support has since its inception been a means tested scheme, as was the scheme's precursor Council Tax Benefit</p>

	<b>Question</b>	<b>Consultees' responses</b>	<b>East Cambridgeshire District Council response</b>
2	<p><b>Proposal 2.</b> Do you agree with the proposal to set a fixed deduction for customers with non-dependent adult friends or family members in the same household?</p>	<p>Agree – 5, Unsure – 3, Disagree – 1</p> <p>The respondents who disagreed said:</p> <p>“Only reason to revise it is to decrease allowance to customers - everyone’s situation is different and by not looking at their individual circumstances”</p> <p>“No reason to use a fixed rate”</p>	<p>The proposal is to retain a nil deduction for non-dependents in receipt of passported benefits (or UC with no earnings) but introduces a fixed rate deduction of £7.40 for other non-dependents.</p> <p>We would also retain the existing protections for customers in receipt of disability benefits meaning they would be exempt from any deductions (regardless of their non-dependent’s circumstances):</p> <p>Deductions are not made if a resident or residents partner:</p> <ul style="list-style-type: none"> <li>• are receiving attendance allowance</li> <li>• are registered as blind</li> <li>• are receiving <u>Disability Living Allowance</u> (the care component)</li> <li>• are receiving the <u>Personal Independence Payment</u> (the daily living component).</li> </ul> <ul style="list-style-type: none"> <li>• A fixed deduction reduces the burden on customer to continually provide and evidence and updated wage information.</li> </ul>

	<b>Question</b>	<b>Consultees' responses</b>	<b>East Cambridgeshire District Council response</b>
3-4	Based on data about average deductions for current claimants, the council is proposing a fixed rate deduction of £7.40 for claimants whose benefits are not 'passportred'. Do you agree that this is the right amount?	<p>"Too high"</p> <p>"Too low"</p> <p>"Because you have not explained whether the £7.40 is a weekly, monthly or annual deduction and i have to press buttons to get to a comment box. If the deduction is annual, there is going to be a lot of adjusting required for little gain"</p>	<p>The nil deduction will apply to those on passportred benefits including those on UC with no earnings.</p> <p>It is anticipated that there will be less claim adjustments as there would be no requirement to notify changes in non-dependant income. This is something the customer is not always aware of or able to obtain verification of themselves</p>
5	<p><b>Proposal 3.</b></p> <p>Do you agree with the proposal to simplify the application process for LCTRS by requiring all customers to apply to the Department for Work and Pensions (DWP) rather than direct to the Council? Whereas previously, customers submitted separate claims for LCTRS, the proposals would mean customers would in-future only need to apply for benefits through DWP, who will automatically notify ARP if someone is eligible for the LCTRS.</p>	<p>Agree – 6, Disagree – 3.</p> <p>"DWP will be swamped by applications to the detriment of the customer"</p> <p>"The DC charge for Council Tax and therefore any reduction should be their decision alone. The DWP should not be involved as they cannot be relied upon to notify ARP if someone is eligible, and it will be more difficult for the person to track the process. In any case, DWP is always something of a blackhole and not easy to contact"</p> <p>"Which is more effective in providing relief for people in low income circumstances. I would say ECDC rather than DWP and therefore citizens will be better protected by ECDC handling applications"</p>	<p>We are not placing any additional pressure on DWP – we already receive data for new UC claimants directly from DWP and treat this as a new claim in its own right (removing the need for a duplicate claim via the LA). This change is to help reduce the number of duplicate claims still received.</p> <p>This change will mean that we only accept new claims via our website from those in receipt of legacy benefits or war pensions. Anyone else will be signposted to claim UC in the first instance or advised that they do not need to complete a form if they have claimed UC already and are waiting its outcome. The numbers we will be signposting are minimal with modelling showing we would only signpost around four customers per quarter and three of these would have qualified for</p>

	<b>Question</b>	<b>Consultees' responses</b>	<b>East Cambridgeshire District Council response</b>
			<p>UC so we would be helping maximise their income.</p> <p>Anyone already in receipt of UC or who has previously made an unsuccessful claim for UC will be able to make a quick and easy re-claim via a short declaration form on our website.</p> <p>We will still provide customer assistance with eligibility questions etc.</p>
6	<p><b>Proposal 4.</b> Do you agree with the proposal to increase the threshold for income changes that affect Local Council Tax Reduction from £65 to £100?</p>	Agree – 7, Disagree – 2,	
7	Anything else about the proposals.		

**AGENDA ITEM NO 7**

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**2022/23 ANNUAL TREASURY MANAGEMENT STRATEGY, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY**

Committee: Finance and Assets Committee

Date: 24<sup>th</sup> January 2022

Author: Finance Manager

[W135]

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**1.0 ISSUE**

1.1 To consider the 2022/23 Treasury Management Strategy, the Annual Investment Strategy and the Minimum Revenue Provision Policy Statement.

**2.0 RECOMMENDATIONS**

2.1 That the Finance and Assets Committee recommends to Full Council to approve:

- The 2022/23 Treasury Management Strategy
- The Annual Investment Strategy
- The Minimum Revenue Provision Policy Statement
- The Prudential and Treasury Indicators.

**3.0 BACKGROUND / OPTIONS**

3.1 CIPFA Requirements

The Council has adopted the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice on Treasury Management and any subsequent revisions.

3.2 The Treasury Management Policy Statement

As per CIPFA's definition, the Council defines its treasury management activities as:

- The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and

reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks.

- The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The Council will create and maintain, as the cornerstones for effective treasury management:

- a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
- suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the CIPFA Code, subject only to amendment where necessary to reflect the particular circumstances of this Council. Such amendments will not result in the Council materially deviating from the Code's key principles.

- Full Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the financial year (this report), a mid-year review and an annual report after financial close, in the form prescribed in its TMPs.
- The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Finance and Assets Committee, and for the execution and administration of treasury management decisions to the Finance Manager and Section 151 Officer, who will act in accordance with the Council's policy statement and TMPs and as a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- The Council nominates Finance and Assets Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

### 3.3 Investment Strategy

The Council continues to hold significant reserves (January 2022) and has been able, up until now, to meet the costs of the loans to East Cambs Trading Company

(ECTC), the construction of the Leisure Centre and the purchase of Waste fleet from internal borrowing against these reserves; therefore, without the need for external borrowing. This situation is forecast to continue in 2022/23.

The Council continues to hold cash balances in advance of those needed to cover internal borrowing and these will be invested in line with the criteria detailed in the Treasury Management Strategy (appendix 1 to this report).

The continuation of low interest rates means that some smaller short term investment dealings will not return a beneficial return on investment, compared to the transaction cost of moving the cash. Small investments over a short period of time will therefore continue to be reviewed to determine if the investment is cash efficient. Where these circumstances arise, this will result in a higher balance in the Council's NatWest Account than would have historically been the case; however we will ensure that this balance remains within the counterparty limit set in the strategy.

The Council has currently loaned East Cambs Trading Company a cumulative value of £4.9 million, in relation to two loan agreements, these loans are due to be repaid in 2023.

### 3.4 Borrowing Strategy

The Council continues to hold reserves so internal cash balances are being used to fund capital commitments. This situation is expected to continue and while cash balances are expected to reduce in the remainder of this financial year and in future years, it is now forecast that no external borrowing will be required during 2022/23. This situation will be continually monitored as we go into the new financial year.

### 3.5 Counterparty Limits

The Counterparty limits were reviewed in the 2016/17 Treasury Management Strategy and approved by Council. There are no amendments to report.

## 4.0 **APPENDICES**

### 4.1 Appendix 1 - Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy

**Background Documents****Location****Contact Officer**

The Prudential Code  
published by CIPFA

Treasury Management  
Practice Schedules

Revenue Budget, Capital  
Programme and Council  
Tax 2022/23 Report (also  
on this agenda)

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# **Treasury Management Strategy Statement**

## **Minimum Revenue Provision Policy Statement and Annual Investment Strategy**

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East Cambridgeshire District Council  
2022/23

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# 1.INTRODUCTION

## 1.1 Background

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

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

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

CIPFA defines treasury management as:

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

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

## 1.2 Reporting requirements

### 1.2.1 Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

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

### 1.2.2 Treasury Management reporting

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

- a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
  - the capital plans, (including prudential indicators);
  - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
  - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
  - an investment strategy, (the parameters on how investments are to be managed).
  
- b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.
  
- c. **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

#### Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Finance and Assets Committee.

### 1.3 Treasury Management Strategy for 2022/23

The strategy for 2022/23 covers two main areas:

#### Capital issues

- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

#### Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

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

#### **1.4 Training**

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

The training needs of treasury management officers are periodically reviewed.

#### **1.5 Treasury management consultants**

The Council uses Link Group, Treasury solutions as its external treasury management advisors.

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

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

## 2 THE CAPITAL PRUDENTIAL INDICATORS 2022/23 – 2024/25

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

### 2.1 Capital expenditure and financing

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure £000	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Operational Services Committee	714	667	3,491	841	841
Finance and Assets Committee	6,445	613	916	40	40
<b>Total</b>	<b>7,159</b>	<b>1,280</b>	<b>4,407</b>	<b>881</b>	<b>881</b>

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital expenditure £000	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Revenue		35			
Capital grants (DFG)	503	500	717	608	608
Capital reserves	387	80	775	184	184
CIL / Section 106	1,089	1,355	89	89	89
<b>Net financing need for the year</b>	<b>5,180</b>	<b>(690)</b>	<b>2,826</b>	<b>0</b>	<b>0</b>

### 2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

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

The Council is asked to approve the CFR projections below:

£000	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
<b>Capital Financing Requirement</b>					
<b>CFR Brought Forward</b>	11,761	11,051	9,980	8,398	6,975
<b>Movement in CFR</b>	(710)	(1,071)	(1,582)	(1,423)	(593)
<b>Total CFR</b>	<b>11,051</b>	<b>9,980</b>	<b>8,398</b>	<b>6,975</b>	<b>6,382</b>

<b>Movement in CFR represented by</b>					
Net financing need for the year (above)	5,180	(690)	2,826	0	0
Repayment of Loan from ECTC	(5,470)	0	(4,070)	(830)	0
Less MRP and other financing movements	(420)	(381)	(338)	(593)	(593)
<b>Movement in CFR</b>	<b>(710)</b>	<b>(1,071)</b>	<b>(1,582)</b>	<b>(1,423)</b>	<b>(593)</b>

### 2.3 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

<b>Year End Resources £m</b>	<b>2020/21 Actual</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>
Fund balances / reserves	13,955	13,281	11,866	8,104	7,250
CIL / Section 106	8,582	10,358	10,258	10,158	10,058
Capital receipts	1,472	1,442	717	583	449
Provisions	2,176	2,144	2,144	2,144	2,144
Working capital*	3,731	3,731	3,731	3,731	3,731
Internal Borrowing	(11,051)	(9,980)	(8,398)	(6,975)	(6,382)
<b>Expected investments</b>	<b>18,865</b>	<b>20,976</b>	<b>20,318</b>	<b>17,745</b>	<b>17,250</b>

\*Working capital balances shown are estimated year-end; these may be higher mid-year

### 2.4 Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

DLUHC regulations have been issued which require the full Council to approve an **MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement.

From 1 April 2008 for all unsupported borrowing the MRP policy will be the **Asset life method** – MRP will be based on the estimated life of the assets, in accordance

with the regulations. This option provides for a reduction in the borrowing need over approximately the asset's life.

The Asset Life's used in MRP calculations are:

Fleet (including Waste and Parks and Gardens) 9 years

Leisure Centre 25 years

Depot 25 years

ECTC Loan No MRP provision is made on the loans to ECTC as the loans will be repaid by the Company in line with the loan agreements and used to reduce the Council's Capital Financing Requirement at that time.

### 3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

#### 3.1 Current portfolio position

The overall treasury management portfolio as at 31<sup>st</sup> March 2021 was that the Council had £18.865 million of treasury investments and had no external borrowing.

At this point the investments were:

Banks £7.465 million  
Money Market Funds £11.400 million

The up-dated position at 30<sup>th</sup> November 2021 was that the Council remained external debt free, with £31.756 million invested as detailed below:

Banks £11.756 million  
Money Market Funds £20.000 million

This reflects, to some degree, the income / expenditure flows of the Council as a collection authority. Council Tax tends to be collected in the first ten months of the year, but the money we pay out to precepting authorities is more evenly spaced, with one Council Tax collection date and two precept payment dates in the final quarter of the year. This year, however, it is also impacted by the Government's response to the Covid-19 pandemic where they have provided Council's with funding in advance to pay out grants to local businesses and we also hold a balance for Business Rates Section 31 grant.

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
<b>External Debt</b>					
Debt at 1 April	0	0	0	0	0
Expected change in Debt	0	0	0	0	0
Actual gross debt at 31 March	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
The Capital Financing Requirement	<b>11,051</b>	<b>9,980</b>	<b>8,398</b>	<b>6,975</b>	<b>6,382</b>
Under / (over) borrowing	<b>11,051</b>	<b>9,980</b>	<b>8,398</b>	<b>6,975</b>	<b>6,382</b>

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early

borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Finance Manager reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

### 3.2 Treasury Indicators: limits to borrowing activity

**The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary £000	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
External Debt	0	0	0	0
Other long-term liabilities	0	0	0	0
Total	0	0	0	0

**The authorised limit for external debt.** This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit:

Authorised limit £000	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
External Debt	10,000	10,000	10,000	10,000
Other long-term liabilities	0	0	0	0
Total	10,000	10,000	10,000	10,000

### 3.3 Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 20<sup>th</sup> December 2021. These are forecasts for certainty rates, gilt yields plus 80 bps.

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

*Additional notes by Link on this forecast table: -*

- *LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In the meantime, our forecasts are based on expected average earnings by local authorities for 3 to 12 months.*
- *Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.*

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 16<sup>th</sup> December 2021.

As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

### **Significant risks to the forecasts**

- **Mutations** of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, or cannot be administered fast enough to prevent further lockdowns. 25% of the population not being vaccinated is also a significant risk to the NHS being overwhelmed and lockdowns being the only remaining option.
- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity.
- **The Monetary Policy Committee** acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **The Monetary Policy Committee** tightens monetary policy too late to ward off building inflationary pressures.
- **The Government** acts too quickly to cut expenditure to balance the national budget.

- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Longer term US treasury yields** rise strongly and pull gilt yields up higher than forecast.
- **Major stock markets** e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.
- **Geopolitical risks**, for example in Ukraine, Iran, North Korea, but also in Europe and Middle Eastern countries; on-going global power influence struggles between Russia/China/US. These could lead to increasing safe-haven flows.

#### **The balance of risks to the UK economy: -**

- The overall balance of risks to economic growth in the UK is now to the downside, including risks from Covid and its variants - both domestically and their potential effects worldwide.

#### **Forecasts for Bank Rate**

It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%. The forecast includes four increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%. However, it is likely that these forecasts will need changing within a relatively short timeframe for the following reasons: -

- We do not know how severe an impact Omicron could have on the economy and whether there will be another lockdown or similar and, if there is, whether there would be significant fiscal support from the Government for businesses and jobs.
- There were already increasing grounds for viewing the economic recovery as running out of steam during the autumn and now into the winter. And then along came Omicron to pose a significant downside threat to economic activity. This could lead into stagflation, or even into recession, which would then pose a dilemma for the MPC as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.
- Will some current key supply shortages spill over into causing economic activity in some sectors to take a significant hit?
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation.

- On the other hand, consumers are sitting on over £160bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- It looks as if the economy coped well with the end of furlough on 30<sup>th</sup> September. It is estimated that there were around 1 million people who came off furlough then and there was not a huge spike up in unemployment. The other side of the coin is that vacancies have been hitting record levels so there is a continuing acute shortage of workers. This is a potential danger area if this shortage drives up wages which then feed through into producer prices and the prices of services i.e., a second-round effect that the MPC would have to act against if it looked like gaining significant momentum.
- We also recognise there could be further nasty surprises on the Covid front beyond the Omicron mutation.
- If the UK invokes article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland, this has the potential to end up in a no-deal Brexit.

In summary, with the high level of uncertainty prevailing on several different fronts, we expect to have to revise our forecasts again - in line with whatever the new news is.

It should also be borne in mind that Bank Rate being cut to 0.25% and then to 0.10%, were emergency measures to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away such emergency cuts on no other grounds than they are no longer warranted, and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

### **Forecasts for PWLB rates and gilt and treasury yields**

Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates above shows, there is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period.

While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on our gilt yields. **As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields. This is a significant UPWARD RISK exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.**

**US treasury yields.** During the first part of 2021, US President Biden's, and the Democratic party's, determination to push through a \$1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the \$900bn support package already passed in December 2020. This was then followed by additional Democratic ambition to spend \$1trn on infrastructure, (which was eventually passed by both houses later in 2021), and an even larger sum on an American families

plan over the next decade; this is still caught up in Democrat / Republican haggling. Financial markets were alarmed that all this stimulus was happening at a time when: -

1. A fast vaccination programme had enabled a rapid opening up of the economy during 2021.
2. The economy was growing strongly during the first half of 2021 although it has weakened overall during the second half.
3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries.
4. And the Fed was still providing substantial stimulus through monthly QE purchases during 2021.

It was not much of a surprise that a combination of these factors would eventually cause an excess of demand in the economy which generated strong inflationary pressures. This has eventually been recognised by the Fed at its December meeting with an aggressive response to damp inflation down during 2022 and 2023.

**At its 3<sup>rd</sup> November Fed meeting**, the Fed decided to make a start on tapering its \$120bn per month of QE purchases so that they ended next June. However, at its **15<sup>th</sup> December meeting** it doubled the pace of tapering so that they will end all purchases in February. These purchases are currently acting as downward pressure on treasury yields and so it would be expected that Treasury yields will rise over the taper period and after the taper ends, all other things being equal. The Fed also forecast that it expected there would be three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy.

There are also possible **DOWNSIDE RISKS** from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to monitor.

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

- How strongly will changes in gilt yields be correlated to changes in US treasury yields (see below). Over 10 years since 2011 there has been an average 75% correlation between movements in US treasury yields and gilt yields. However, from time to time these two yields can diverge. Lack of spare economic capacity and rising inflationary pressures are viewed as being much greater dangers in the US than in the UK. This could mean that central bank rates will end up rising earlier and higher in the US than in the UK if inflationary pressures were to escalate; the consequent increases in treasury yields could well spill over to cause (lesser) increases in gilt yields. There is, therefore, an upside risk to forecasts for gilt yields due to this correlation. The Link Group forecasts have included a risk of a 75% correlation between the two yields.
- Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong will inflationary pressures actually turn out to be in both the US and the UK and so put upward pressure on treasury and gilt yields?

- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the “taper tantrums” in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

As the US financial markets are, by far, the biggest financial markets in the world, any upward trend in treasury yields will invariably impact and influence financial markets in other countries. Inflationary pressures and erosion of surplus economic capacity look much stronger in the US compared to those in the UK, which would suggest that Fed rate increases eventually needed to suppress inflation, are likely to be faster and stronger than Bank Rate increases in the UK. This is likely to put upward pressure on treasury yields which could then spill over into putting upward pressure on UK gilt yields.

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

#### **The balance of risks to medium to long term PWLB rates: -**

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

#### **A new era for local authority investing**

##### **– a fundamental shift in central bank monetary policy**

One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on ‘achieving broad and inclusive “maximum” employment in its entirety’ in the US, before consideration would be given to increasing rates.

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be ‘sustainably over 2%’ before starting on raising Bank Rate and the ECB now has a similar policy.
- **For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.**
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition,

recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.

- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

### Investment and borrowing rates

- **Investment returns** are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.
- **Borrowing interest rates** fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.
- On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The current margins over gilt yields are as follows: -
  - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
  - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
  - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
  - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
  - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

### 3.4 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with external loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

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

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates*, then borrowing will be postponed.
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast*, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the Finance and Assets Committee at the next available opportunity.

### 3.5 Policy on borrowing in advance of need

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

### 3.6 New financial institutions as a source of borrowing and / or types of borrowing

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

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

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

### 3.7 Approved sources of long- and short-term borrowing

	Fixed	Variable
PWLB	●	●
Municipal Bond Agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
UK Infrastructure Bank	●	●
Internal (capital receipts & revenue balances)	●	●

## 4 ANNUAL INVESTMENT STRATEGY

### 4.1 Investment policy – management of risk

The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments and Capital loans, are covered in the Capital Strategy, (a separate report).

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

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

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

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

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "**credit default swaps**" and overlay that information on top of the credit ratings.
3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 5.3 under the categories of 'specified' and 'non-specified' investments.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally, they were classified as being non-specified investments solely due to the maturity period exceeding one year.
  - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
5. **Non-specified and loan investment limits.** The Council has determined that it will not engage in any non-specific investments as part of its investment strategy.
  6. **Lending limits**, (amounts and maturity), for each counterparty are set out in paragraph 4.2.
  7. **Transaction limits** are set for each type of investment in 4.2.
  8. This authority will set a limit for its investments which are invested for **longer than 365 days**, (see paragraph 4.4).
  9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).
  10. This authority has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
  11. All investments will be denominated in **sterling**.
  12. As a result of the change in accounting standards for 2022/23 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31<sup>st</sup> March 2023.

However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

#### **Changes in risk management policy from last year.**

The above criteria are unchanged from last year.

#### **4.2 Creditworthiness policy**

This Council applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main

credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- "watches" and "outlooks" from credit rating agencies;
- CDS spreads that may give early warning of changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, and any assigned Watches and Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will, therefore, use counterparties within the following durational bands:

- Yellow 5 years \*
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green not to be used
- No colour not to be used

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

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

All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

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

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

The following counterparty limits were agreed in the 2021/22 Treasury Management Strategy and will remain in place during 2022/23.

- £6 million with counterparties rated up to 6 months (red on the above scale) and above time duration limit on the approved weekly list
- £5 million with Money Market Funds

### **Creditworthiness.**

Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

### **CDS prices**

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

### **4.3 Other limits**

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

- a) **Non-specified treasury management investment limit.** The Council has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being 5% of the total treasury management investment portfolio.
- b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of AA-** from Fitch (or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.4. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

It should be noted that historically ECDC has not invested outside of the UK and while this document provides details of the Countries it is considered safe to do so, there is no intension to move any of our investments abroad at this time.

- c) **Other limits.** In addition:
  - no more than 20% will be placed with any non-UK country at any time;
  - limits in place above will apply to a group of companies;
  - sector limits will be monitored regularly for appropriateness.

### **4.4 Investment strategy**

**In-house funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments

up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

#### **Investment returns expectations.**

The current forecast shown in paragraph 3.3, includes a forecast for a first increase in Bank Rate in May 2022, though it could come in February.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year, (based on a first increase in Bank Rate in quarter 2 of 2022), are as follows.:

Average earnings in each year	Now	Previously
2022/23	0.50%	0.50%
2023/24	0.75%	0.75%
2024/25	1.00%	1.00%
2025/26	1.25%	1.25%
Long term later years	2.00%	2.00%

For its cash flow generated balances, the Council will seek to utilise its instance access business account and notice accounts, money market funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

**Investment treasury indicator and limit** - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

The Council is asked to approve the following treasury indicator and limit:

<b>Upper limit for principal sums invested for longer than 365 days</b>			
<b>£000</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
Principal sums invested for longer than 365 days	2,000	£2,000	£2,000
Current investments as at 30 <sup>th</sup> November 2021 in excess of 1 year maturing in each year	0	0	0

#### **4.5 Investment performance / risk benchmarking**

These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or Annual Report.

Security - The Council's main priority is the security of its capital, and therefore security risk continues to be its main focus, with the process for securing this detailed in Section 4.1 of this report.

This is measured / benchmarked by the use of a Historic Risk of Default calculation provided to us by Link Asset Services. The calculation is a proxy for the average percentage risk for each investment based on over 30 years of data provided by Fitch, Moody's and S&P. It simply provides a calculation of the possibility of average default against the historical default rates, adjusted for the time period within each year according to the maturity of the investment. At the end of November 2021 our calculated Historic Risk of Default was 0.09% as our cash was in either Money Market Funds, deposits with Lloyds Bank of Scotland and Santander and a liquid call account with NatWest. As this situation is not expected to change in 2022/23, then the risk remains very small.

Liquidity – in respect of this area the Council seeks to maintain:

- No Bank overdraft
- Liquid short-term deposits of at least £5 million available with a week's notice.

Yield - local measures of yield benchmarks are

- Investments – internal returns above the 7-day SONIA compounded rate

#### **4.6 End of year investment report**

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

## **5 APPENDICES**

1. Prudential and treasury indicators
2. Economic background
3. Treasury management practice 1 – credit and counterparty risk management (option 1)
4. Approved countries for investments
5. Treasury management scheme of delegation
6. The treasury management role of the section 151 officer

## 5.1 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2022/23 – 2024/25

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

### 5.1.1 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

#### Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

%	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Annual Change	(0.75)	(0.38)	(0.41)	2.06	0.00

The estimates of financing costs include current commitments and the proposals in this budget report.

## 5.2 ECONOMIC BACKGROUND

### COVID-19 vaccines.

These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working, similar to the pingdemic in July. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid. However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

### A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3<sup>rd</sup> February.
- With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5<sup>th</sup> May, the release date for its Quarterly Monetary Policy Report.
- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.
- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.

- Covid remains a major potential downside threat in all three years as we ARE likely to get further mutations.
- How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under QE ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

### **MPC MEETING 16<sup>H</sup> DECEMBER 2021**

- The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.
- The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30<sup>th</sup> September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.
- **On 10<sup>th</sup> December we learnt of the disappointing 0.1% m/m rise in GDP** in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.
- **On 14<sup>th</sup> December, the labour market statistics** for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.
- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.
- **On 15<sup>th</sup> December we had the CPI inflation** figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).

- **Other elements of inflation are also transitory** e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.
- Although it is possible that the Government could step in with some **fiscal support for the economy**, the huge cost of such support to date is likely to pose a barrier to incurring further major economy wide expenditure unless it is very limited and targeted on narrow sectors like hospitality, (as announced just before Christmas). The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!
- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a **surprise increase in Bank Rate from 0.10% to 0.25%**. What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC commented that “there has been significant upside news” and that “there were some signs of greater persistence in domestic costs and price pressures”.
- On the other hand, it did also comment that “**the Omicron variant is likely to weigh on near-term activity**”. But it stressed that at the November meeting it had said it would raise rates if the economy evolved as it expected and that now “these conditions had been met”. It also appeared more worried about the possible boost to inflation from Omicron itself. It said that “the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation”. It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning “global price pressures might persist for longer”. (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)
- On top of that, there were no references this month to inflation being expected to be below the **2% target in two years' time**, which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.
- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only a “**modest tightening**” in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. “Modest” seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.
- In as much as a considerable part of the inflationary pressures at the current time are indeed **transitory**, and will naturally subside, and since economic growth is likely to be

weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.

- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November's statement that Bank Rate would be raised "in the coming months". That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3<sup>rd</sup> February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).
- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
  - Raising Bank Rate as "the active instrument in most circumstances".
  - Raising Bank Rate to 0.50% before starting on reducing its holdings.
  - Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
  - Once Bank Rate had risen to at least 1%, it would start selling its holdings.
- **US.** Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, **CPI inflation hit a near 40-year record level of 6.8%** but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decade high.
- **Shortages of labour** have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.
- Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the **Fed's meeting of 15<sup>th</sup> December** would take aggressive action against inflation. Accordingly, the rate of tapering of monthly \$120bn QE purchases announced at its November 3<sup>rd</sup> meeting. was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – "maximum employment". The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was also significant was that this month the Fed dropped its description of the current level of inflation as being "transitory" and instead referred to "elevated levels" of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent "for some time". It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.  
*See also comments in paragraph 3.3 under PWLB rates and gilt yields.*
- **EU.** The slow role out of vaccines initially delayed **economic recovery** in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its

pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.

- **November's inflation figures** breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to *persistently* higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB's target of 2% and it is likely to average 3% in 2022, in line with the ECB's latest projection.
- **ECB tapering.** The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB's target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.
- The ECB will now also need to consider the impact of **Omicron** on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.
- The EU has entered into a **period of political uncertainty** where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.
- **CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.
- However, the pace of economic growth has now fallen back in **2021** after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having

now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The **People's Bank of China** made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.

- Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.
- **JAPAN.** 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.
- The Bank of Japan is continuing its **very loose monetary policy** but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.
- **WORLD GROWTH.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is likely that we are heading into a period where there will be a **reversal of world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.
- **SUPPLY SHORTAGES.** The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

### 5.3 TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

**SPECIFIED INVESTMENTS:** All such investments will be sterling denominated, with **maturities up to a maximum of 1 year**, meeting the minimum ‘high’ quality criteria where applicable. (Non-specified investments which would be specified investments apart from originally being for a period longer than 12 months, will be classified as being specified once the remaining period to maturity falls to under twelve months.)

**NON-SPECIFIED INVESTMENTS:** These are any investments which do not meet the specified investment criteria. The Council will not engage in any non-specified investments.

It should be noted that any funding provided to East Cambridgeshire Trading Company or East Cambs CLT will be given as a Capital loan and treated as Capital expenditure. It is not an investment, as defined in this Strategy document, although clearly the Council does receive a return on the amount loaned.

#### SPECIFIED INVESTMENTS

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made, it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum credit criteria / colour band	£ limit per institution	Max. maturity period
DMADF – UK Government	yellow	£6 million	6 months (max. is set by the DMO*)
UK Government gilts	yellow	£5 million	5 years
UK Government Treasury bills	yellow	£5 million	364 days (max. is set by the DMO*)
Bonds issued by multilateral development banks	yellow	£5 million	5 years
Money Market Funds CNAV	AAA	£5 million	Liquid
Money Market Funds LNAV	AAA	£5 million	Liquid
Money Market Funds VNAV	AAA	£5 million	Liquid
Local authorities	yellow	£5 million	5 years

Term deposits with banks and building societies	Blue Orange Red Green No Colour	£6 million £6 million £6 million Nil Nil	12 months 12 months 6 months 100 days Not for use
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\* DMO – is the Debt Management Office of HM Treasury

## 5.4 APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

### *Based on lowest available rating*

#### AAA

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

#### AA+

- Canada
- Finland
- U.S.A.

#### AA

- Abu Dhabi (UAE)
- France

#### AA-

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

## **5.5 TREASURY MANAGEMENT SCHEME OF DELEGATION**

### **(i) Full Council**

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

### **(ii) Finance and Assets Committee (as the responsible body)**

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

### **(iii) The Finance Manager and Section 151 Officer (as the person with responsibility for treasury function)**

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

## 5.6 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

### The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe.
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above.

**REVENUE BUDGET, CAPITAL STRATEGY AND COUNCIL TAX 2022/23**

Committee: Full Council

Date: 22<sup>nd</sup> February 2022

Author: Finance Manager

[W143]

**1 ISSUE**

1.1 This report sets out the Council's proposed revenue budget, capital strategy, and the proposed level of Council Tax in 2022/23. The report assesses the robustness of the budgets, the adequacy of reserves and up-dates the Council's Medium Term Financial Strategy (MTFS).

**2 RECOMMENDATIONS**

2.1 Full Council is asked to approve:

- The formal Council Tax Resolution which calculates the Council Tax requirement as set out in Appendix 1;
- The draft revenue budget for 2022/23 and MTFS for 2023/24 to 2025/26 as set out in Appendices 2(a) and 2(b);
- A £5 increase in Council Tax in 2022/23;
- The Statement of Reserves as set out in Appendix 3;
- The 2022/23 Fees and Charges as set out in Appendix 4;
- The Capital Strategy and financing as set out in Appendix 5.
- To approve the Business Rate reliefs detailed in Section 6.7 of this report.

**3 BACKGROUND / OPTIONS**

3.1 At the Full Council meeting on 23<sup>rd</sup> February 2021, members approved a net budget for 2021/22 of £8,437,168 and a frozen Council Tax. The budget had a planned draw of £2,072,648 from the Surplus Savings Reserve. The Medium Term Financial Strategy at that time showed a balanced budget in 2022/23 (using further resources from the Surplus Savings Reserve and an increase in Council Tax of £5 in 2022/23), but with then significant budget deficits in 2023/24 and 2024/25.

3.2 The outturn position for 2020/21 was reported to the Finance and Assets Committee on the 22<sup>nd</sup> July 2021. This showed that due to the actions taken by management to reduce the Council's cost base prior to and during 2020/21 and the additional grants in relation to Covid-19 provided to the Council by Government, the Council underspent in 2020/21 by £2,165,572. This was transferred into the Surplus Savings Reserve.

- 3.3 For clarity, the Government grants detailed above relate to non-ringfenced grant provided to all councils to ensure the continuation of service through the pandemic; compensation grant for the loss of income, fees and charges (such as car parking income) and new burdens grant, paying the Council for the work it undertook managing the business grant and Council Tax hardship schemes on behalf of the Government. Regarding the non-ringfenced grant, many lower tier councils spent a significant element of this on homelessness, but due to the limited homelessness problem in East Cambridgeshire only limited spending was required from this grant.
- 3.4 Management has continued to reduce the Council's cost base during the current financial year. This work has led to further one-off and on-going savings being made; which both contribute to the projected outturn underspend for this financial year and also provide savings throughout the term of the MTFs. The current yearend forecast underspend for 2021/22 is £533,833, this too will be transferred to the Surplus Savings Reserve at yearend and has been reflected in the figures in this report.

#### 4 BUDGET AND SPENDING REVIEW 2021

- 4.1 Local Government was expecting a major change in the way it is funded by Government in 2022/23. At this time last year we were expecting a:
- Spending Review, a major review by Government of all of its spending plans, determining the quantum of funding that will be made available to each Department for a number of years.
  - Local Government Fair Funding Review, a review of the relative needs of all local authorities to determine how much of the funding allocated above, would be allocated to each individual authority.
  - Business Rates Retention Scheme revision, which would result in local authorities retaining 75% of Business Rates collected, rather than the current 50%; but at the same time some direct grants paid to councils by Government, such as Revenue Support Grant and Rural Services Delivery Grant were expected to be withdrawn.
- 4.2 The Spending Review was announced on the 27<sup>th</sup> October 2021, and provided details of the Government's spending plans for the next three years, 2022/23 to 2024/25. The Review announced that Local Government would be allocated an additional £4.8 billion over these three years, £1.6 billion in each year, with the detail regarding how this would be allocated to be announced in the Local Government Finance Settlement.
- 4.3 In a separate statement at this time by the Secretary of State for Levelling up, Housing and Communities, it was announced that plans to move to 75% Business Rates retention by local government were to be scrapped as this was not considered consistent with the Levelling-up agenda. As a consequence of this, it is now anticipated that the Rural Services Delivery Grant will be retained beyond the implementation of the Fair Funding Review.
- 4.4 The Business Rate multipliers were also announced in the Spending Review, with a decision being made to freeze these at 2021/22 levels. The small business non-

domestic multiplier will therefore remain at 49.9 pence and the multiplier for larger businesses (rateable values greater than £51,000) will be 51.2 pence.

## 5 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 5.1 The Final Local Government Finance Settlement was published on the 7<sup>th</sup> February 2022 supported by a written ministerial statement. This followed the publication of the Provisional Settlement on the 16<sup>th</sup> December 2021.
- 5.2 The Settlement confirmed that the Local Government Fair Funding Review would not be implemented in 2022/23, but instead an extension to the previous year's funding settlement was to be actioned. It also confirmed that the Baseline Reset of Business Rates would also not happen in 2022/23.
- 5.3 The Revenue Support Grant figure was increased, in 2021/22 we received £11,829, which increases to £12,579 for 2022/23.
- 5.4 The Settlement made a change in the awarding of New Homes Bonus grant. The scheme was extended by a further year, with amounts earned for year 12 of the scheme, between October 2020 and October 2021, attracting one year's worth of reward in 2022/23 only. Prior to 2020/21 awards had been for four years, and this continues for those awarded prior to this year, but for 2020/21, 2021/22 and 2022/23 there is only one year of reward. What this therefore means is that we received four years of reward in 2020/21, but this reduced to three years in 2021/22 and will be two years in 2022/23. The current expectation is that the grant will be discontinued at this time, but, like all other funding sources in local government, this will be wrapped up within the Local Government Fair Funding Review. There is a view that Government remain committed to incentivising housing growth, but the exact form of this is unclear and there appears to be a growing view that New Homes Bonus is not the answer and they would prefer something more "targeted".
- 5.5 That said, due to the continued high level of house building in the District in the past year, our New Homes Bonus grant for 2022/23 will be £1,112,624, which is an increase from the £540,959 received in 2021/22.
- 5.6 The Settlement includes details of other grants that are being rolled forward, including the Rural Services Delivery grant, an allocation to the most rural authorities, which will be £169,586 in 2022/23 (this is the same as that received in 2021/22).
- 5.7 The new Lower Tier grant, first awarded in 2021/22 to all lower tier authorities responsible for homelessness, planning, recycling and refuse collection, and leisure services, was extended for a further year; East Cambs was awarded £105,054 in 2021/22 and this has been increased to £112,817 for 2022/23 (this is a small increase on the amount announced in the Provisional Settlement).
- 5.8 Government also announced a new grant for 2022/23, the 2022/23 Services Grant, this is the method used to distribute some of the £1.6 billion allocated in the Spending Review. It is seen very much as a one year grant, with this being absorbed into the results of the Local Government Fair Funding Review from 2023/24. East Cambs allocation is £170,007.

- 5.9 The Settlement further identified the local authorities who will have Business Rates Pools during 2022/23, Cambridgeshire was amongst those councils (see paragraph 6.5).
- 5.10 The Settlement makes provision for shire districts to increase Council Tax by up to 2% or £5, whichever is the greater, in 2022/23 without the need for a referendum. Members will be aware that the MTFS approved in February 2021 included an assumption of a £5 increase in Council Tax each year from 2022/23; this paper is written based on that assumption. To put a value on this, the £5 increase in 2022/23 (this is the higher figure for us) would generate additional income of £155,576 in that year.

## 6 BUSINESS RATES

- 6.1 The NNDR 1 return for 2022/23 was produced by the end of January in line with statutory requirements. Figures from this have been included in the budget as presented.
- 6.2 While the Council benefits significantly from the growth in Business Rates since the last Base reset in 2013, there is always a risk that appeals against Business Rates can be lodged and, if successful, can be backdated for several years. The Council does therefore include a provision for appeals in determining how much of the rates collected should be posted into the budget.
- 6.3 The MTFS assumed that the Collection Fund for Business Rates would be in balance as at 31<sup>st</sup> March 2022 once the allocation of the forecast deficit from 2020/21 had been accounted for. The 2020/21 deficit was a consequence of the reduction in receipts as a consequence of the pandemic and it was agreed by Government that this could be recovered over three years, as opposed to the usual one. However, the completed NNDR1 for 2022/23 shows that the Fund will again be in deficit at the end of the 2021/22 financial year. This deficit, however, relates to reliefs provided to retail, leisure and hospitality venues and nursery (children) establishments by the Government after the budget was set. The Government is covering these reliefs by providing Section 31 Grant to councils. This Section 31 grant, is technically 2021/22 income, but it is proposed that the Council carries forward this grant via the use of a reserve to match against the shortfall in 2022/23.
- 6.4 After the impact of the Section 31 Grant is taken into account, the Collection Fund is forecast to be in credit at the end of 2021/22 and this has been allocated as funding in 2022/23. The impact of this is that this Council will have an additional £38,976 of funding in 2022/23.
- 6.5 East Cambridgeshire applied to be, and was accepted by Government to be, part of a continuing Business Rate Pool in 2022/23, alongside a number of other authorities in Cambridgeshire.
- Cambridgeshire County Council
  - Cambridgeshire Fire Authority
  - Fenland District Council
  - Peterborough City Council
  - South Cambridgeshire District Council

(Cambridge City Council and Huntingdonshire District Council are not members of the Pool.)

A review of the scheme was undertaken in the Autumn of 2021, supported by Pixel Financial Management, when it was forecast that this Pool will continue to provide benefit to this authority in 2022/23, despite the impact of the Covid-19 pandemic on Business Rates receipts.

- 6.6 As highlighted elsewhere in this report, forecasts for retained Business Rates beyond 2022/23 are almost impossible at this time, but the figures presented take a prudent view, showing a significant reduction on those expected in 2022/23. These have been informed by our external adviser Pixel Financial Management.
- 6.7 In the Budget / Spending Review the Government announced there will be a 50% Business Rates relief for retail, hospitality and leisure sectors (up to a maximum of £110,000 per business) in 2022-23 and the extension of the current Transitional Relief and Supporting Small Business schemes. With these discounts being fully funded by Government by Section 31 Grant, so there will be no impact on the overall financial position of the Council. As Business Rates is a local tax, Council formally has to agree to provide this discount to rate payers in the District and so this is included in the recommendations in Section 2 of this report.

## 7 THE 2022/23 BUDGET

- 7.1 Due to the proactive actions taken by management to reduce costs and generate new sources of funding in recent years, the revenue budget for 2022/23 is fully funded.
- 7.2 The draft budget for 2022/23 is set out in Appendix 2 to this report.
- 7.3 The following key assumptions have been made in preparing the draft budget:
- The April 2021 inflationary pay increase for staff has still not been agreed by the National Joint Council representing the employers and the unions representing staff, but the latest offer on the table is 1.75%. The staffing budget for 2022/23 has therefore been increased from its current un-inflated baseline by 1.75% to reflect this back-dated increase, an assumed 2% increase in April 2022 and then a further 1.25% additional employer National Insurance costs which comes in on the 1<sup>st</sup> April 2022;
  - Inflation has been put in at 20% for electricity and 5% for gas. For the latter, we are protected in 2022/23 by the terms of our current contract with ESPO having pre-procured the gas in mid-2021;
  - Inflation on other contracts has been included to reflect the expected increase in these during the year. These include insurance and IT licences;
  - 3% has been added to the Waste contract with East Cambs Street Scene (ECSS) and the Parks and Gardens contract with ECTC;
  - A significant amount of Internal Drainage Boards costs relate to electricity and as such, these Levies have been increased by 11%;
  - Other budgets have not been increased by inflation;
  - The RECAP partner contribution has been doubled for two years for 2022/23 and 2023/24 to £24,240, this to allow the partnership to develop a consolidated

response to the Governments Resources and Waste Strategy, thus allowing this to be implemented efficiently across the whole County area;

- Pension Fund revaluations take place every three years, with the last one being on the 31<sup>st</sup> March 2019, no change in rate will therefore be implemented in 2022/23 with the Council's contribution rate remaining at 17.2%, with in addition, the lump sum contribution remaining at £485,000 each year;
- The Housing Benefit budget reflects the position at the end of the third quarter for 2021/22 the latest information received from Anglia Revenues Partnership (ARP);
- No adjustments to spend have been made to reflect the anticipated increase in population within the District;
- Budgeted income from the commuter car park and the Leisure Centre management fee both remain reduced when compared to the value in the 2020/21 budget to reflect the on-going implications of the Covid-19 pandemic on these services.

## 8 RESERVES

8.1 The Council holds reserves, at levels which remain prudent. It is important to review the level of reserves on a regular basis, in particular to ensure that potential liabilities not in the Council's base budget can be funded from earmarked reserves; and that unearmarked reserves are at a sufficient level to cover any unforeseen events.

8.2 As part of the process of preparing this budget, officers have reviewed each reserve to ensure its purpose and level is appropriate. A Statement of Reserves is attached at Appendix 3.

8.3 The sole unearmarked reserve is the General Fund. This stands at £1,050,982. There is no statutory minimum level set for a local authority's reserves; it is a matter for each local authority's own judgement after taking into consideration the strategic, operational and financial risks it faces. It has been this authority's policy for some time that the level of the unearmarked reserve be set at 10% of the net operating budget, this is a reasonably prudent approach and a higher percentage than many other authorities locally. The proposed net operating budget for 2022/23 is £10,632,934. Using the 10% figure, this would require an unearmarked reserve of £1,063,293. An additional £12,311 will therefore be put into the General Fund, this being a transfer from the Change Management Reserve, rather than a draw from Council Tax.

### 8.4 Leisure Centre Sinking Fund

There is currently a reserve for the District Leisure Centre Sinking Fund. The original purpose of the fund was to allow for the Council to replace the District Leisure Centre, including plant equipment, if necessary, in future years.

GLL is the Operator of The Hive. In 2016 the Council awarded a twelve year contract which includes a five year option to extend. Throughout this period GLL is required to repair/refurbish The Hive as necessary, excluding the structure of the building and the plant equipment.

The forecast balance of the reserve at the end of 2021/22 is £165,849 and the current MTFS is forecasting a further £638,379 being transferred into the fund during 2022/23 and 2023/24.

As part of the budget setting process officers have considered whether this reserve is necessary and have explored alternative options should future investment be required. If, in the future, it is decided that it is necessary to replace the District Leisure Centre or the plant equipment, the Council could finance this in two ways. The first, through the Community Infrastructure Levy (or other planning gain that would exist at the time), and second, through a new Leisure Management Contract, for example, the Council could let a new contract to an Operator on the basis that the necessary replacements are carried out and the annual payable management fee to the Council would reflect the investment that the Operator is providing.

The Council recognises that investment in other leisure providers across the District is beneficial to the residents of East Cambridgeshire and this is reflected in the Corporate Plan 2021-2023. To meet this commitment, it is proposed that the Council creates a £300,000 reserve that will facilitate the improvement of the leisure offer for existing providers across the District. This fund will replace the historic Leisure Grants (£32,000 per annum) and will not be time limited. The intention of the fund is to enable leisure providers to make improvements to the business that facilitates sustainable growth in the future. A scheme, including criteria, will be designed and presented to the Operational Services Committee in March 2022.

It is therefore recommended that the Council looks to refocus the current reserve towards other leisure providers, end the Sinking Fund in its current form and utilises developer contributions in the future.

## 8.5 Affordable Housing

The reserve account for CLT Affordable Housing has a forecast balance at the end of 2021/22 of £465,710. The 2021/22 MTFS forecast a further £24,920 being transferred into the fund during 2022/23.

The reserve was created following a resolution of Council in January 2016 (Agenda Item 6) to incentivise and support CLT development. The decision was to ring fence and allocate the additional element of the New Homes Bonus received by Council for each affordable housing unit to CLTs. The Council is due to transfer £121,800 to various CLTs across the District. The amount payable is £2,100 per property (£350 per property for six years). The beneficiaries are Stretham and Wilburton CLT (23 units), Swaffham Prior CLT (8 units), Thrift for Soham CLT (8 units) and Haddenham CLT (19 units).

All future completions will fall outside of the period for which the Council will receive the New Homes Bonus and therefore will not be eligible for payments under the scheme. The funds in the budget (referenced above) are amended to reflect the actual amount expected to be needed.

The Council is committed to assisting CLTs in the District and currently has a start-up grant fund of up to £5,000 per community group to enable them to become legally incorporated and begin work to bring forward community led development in their area. The Council also has dedicated resource to provide technical advice and support to CLTs free of charge.

The ability to access funds between start up and commencement on site is limited for a CLT. In 2021/22 Homes England made funding available, however, this was a national scheme with a limited time to bid for funds. Two CLTs in East Cambridgeshire were successful. The scheme was oversubscribed and is now closed. The grants enabled CLTs to bridge the funding gap between start-up and commencement of development.

It is proposed that the Council creates a £100,000 fund that will enable new and existing CLTs to apply for pre-development finance support for independent advice on rent policies, viability assessments and community engagement support (not exhaustive). Additionally, for a CLT to provide affordable rent it must become a registered provider. This fund could provide financial support to assist CLTs through the Registered Provider registration process. A scheme, including criteria, will be designed and presented to the Finance and Assets Committee in March 2022.

## 9 FEES AND CHARGES

- 9.1 Officers have reviewed the fees and charges, and details of the proposed charges for 2022/23 are shown at Appendix 4. The proposed budgets include increases as a result of both volume and price.
- 9.2 There have been no new fees or charges introduced for 2022/23.
- 9.3 Where we have control over the fee level, as opposed to where these are negotiated nationally, and where the fee relates to work undertaken by officers, it is proposed to increase fees and charges by approximately 2%. This approach ensures that the additional cost of providing the service is met by the person / organisation benefiting from the service, rather than the general populous through Council Tax.
- 9.4 As external funding from Government grants continues to reduce, the Council's approach to fees and charges will need to reflect the increasing importance of this as an income source.

## 10 CAPITAL STRATEGY

- 10.1 The CIPFA revised 2017 Prudential and Treasury Management Codes required from 2019/20 all local authorities to prepare a capital strategy report, which provides:
- a high level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
  - an overview of how the associated risk is managed;
  - the implications for future financial sustainability.
- 10.2 This Council has no long term capital objectives at this time. The medium term capital programme has been reviewed, and is attached at Appendix 5. The programme is largely a continuation of the previous programme. The total value of the programme in 2022/23 is £4,407,037.
- 10.3 The Council's Treasury Management Strategy is a separate document, which is also on today's Full Council agenda.

- 10.4 With the Council's Waste Service now being provided by East Cambs Street Scene (ECSS), the Council is purchasing waste fleet and hiring this to the Company. The hire charge reflecting the Council's capital costs of doing this, both the MRP and interest costs. Spend in 2022/23 is forecast at £2 million as vehicles previously purchased by the use of the Weekly Collection Grant from Government, have now reach and indeed surpassed their useful, economic life and require replacing. It had previously been planned to change these vehicles in 2020/21 and then 2021/22, but with the Government due to announce further details of its Waste Strategy shortly – it has already been delayed a number of times - it has been deemed more sensible to wait to ensure that the vehicles purchased meet the new needs prescribed in this Strategy. It is also hoped that Government funding may become available at the same time. While these additional costs will be reflected in the charge to ECSS, the Council will need to increase the contract value it pays ECSS for providing the service as detailed in paragraph 13.4 to ensure that it can meet these additional costs.
- 10.5 The project to refurbish the depot has been deferred into 2022/23, while further feasibility work takes place and costings of the project reviewed. At this time the budget originally submitted in 2018/19 remains in place, but potentially this will need to be adjusted as new information comes to hand. A fuller report will be presented to the March meeting of Finance and Assets Committee, for consideration by Members.
- 10.6 There are a number of capital budgets that continue into 2022/23, having been in place in previous years, where there is a commitment to continue spending in each year of the capital programme:
- The purchase of new wheeled bins; as further residential properties are built within the District, these need to be supplied with bins, so the Council needs to have these available. The cost of these, estimated at £40,000, will be covered by a combination of Section 106 funding and capital receipts.
  - The Council's contribution to the A14 up-grade. When the scheme was originally designed, and funding agreed, it was agreed that councils within Cambridgeshire (Cambridgeshire County Council, East Cambridgeshire, Fenland, Huntingdonshire and South Cambridgeshire) would contribute to the costs of the project, this contribution was expected to start in 2021/22 and will be funded from CIL contributions. This is for £40,000 per year for 25 years.
  - Disabled Facilities, both mandatory and discretionary. The Council receives Government funding (from the Better Care Fund), via the County Council to assist with the funding of this work. The total budget in 2022/23 is £1,422,087, which includes a forecast carry forward from 2021/22 of £649,788. £716,942 being funded by grant, with the remainder (£705,145) being funded by the Council by the use of previously obtained capital receipts.
  - And vehicle replacement funding for the Parks and Gardens team, these vehicles are purchased by the Council using Section 106 funding, and then hired to ECTC at a rate to cover the notional MRP and interest costs using the same formula as with Waste vehicles.
- 10.7 There is one new budget in the 2022/23 capital programme, this relates to the cost of putting solar panels on the E-Space, North building as part of the Council's drive to become more sustainable. This scheme was approved in principle by Operational

Services Committee on the 15<sup>th</sup> November 2021 and currently has an estimated initial capital cost of £50,000.

- 10.8 As agreed in the 2017/18 budget, the Council now funds expenditure that would have previously be funded from external borrowing, on schemes such as the Leisure Centre, Waste fleet and the loan to the ECTC, from internal borrowing. As interest chargeable on external borrowing is higher than interest receipts on investments, this provides a net saving to the Council. The current expectation is that all borrowing in 2022/23 will be funded from internal borrowing, thus preventing any external borrowing costs. More details of the Council's borrowing requirement and investment strategy are detailed in the Treasury Management Strategy.
- 10.9 In summary therefore, the Council has limited exposure to the on-going costs of capital expenditure at this time. The MRP costs of the Leisure Centre are being met by the operator through the management fee; the loans to ECTC will be repaid in 2023 and in the intervening period a commercial interest rate is being charged, and the costs of the Waste fleet and some of the costs of the depot refurbishment will be passed onto ECSS, although the Council's revenue budget has been increased to reflect the replacement of the vehicles reaching the end of their useful life in 2022/23.

## 11 COUNCIL TAX

- 11.1 The MTFs assumed that the Collection Fund for Council Tax would be in balance as at 31<sup>st</sup> March 2022, once the allocation of the forecast deficit from 2020/21 had been accounted for. This deficit was a consequence of the reduction in receipts as a consequence of the pandemic and it was agreed by Government that this could be recovered over three years, as opposed to the usual one.
- 11.2 However, due to the increased number of houses built in the District during 2020/21 and the fact that Council Tax receipts were not impacted by the pandemic as much as expected the Fund is now forecast to be significantly in surplus at the end of this financial year. The net position being that the Council will benefit by £244,673 from the Collection Fund surplus in previous years.
- 11.3 At the time of calculating the number of band D equivalent properties for 2021/22, there was an expectation that unemployment would rise significantly in the Country as a consequence of the pandemic, especially at the point that the Government's job retention scheme, introduced to protect jobs, was wound down. With this in-turn increasing the number of residents claiming Local Council Tax Support, thus reducing the Council tax-base and the amount of Council Tax collected.
- 11.4 The taxbase for 2022/23 estimated in last year's budget was an equivalent of 30,105.5 Band D properties. However, the current forecast, including the real change in housing between October 2020 and October 2021 and an estimation of future movements in 2022/23 and a far less prudent view of the reduction in Council Tax as a consequence of the pandemic, based on evidence from the past year, means that the forecast for 2022/23 is now 31,115.3 Band D properties.
- 11.5 In accordance with the MTFs approved by Council in February 2021 it is proposed that the Council increases its Council Tax for a Band D property by £5 in 2022/23, bringing the Council's total charge to £147.14 in 2022/23, based on the Council Tax requirement of £4,578,305 divided by the taxbase of 31,115.3 properties.

- 11.6 The County Council, Fire and Police Authority budgets and precepts were considered by their respective decision making bodies in early February and we were notified of their precept requirements. The Cambridgeshire and Peterborough Combined Authority has not levied a precept in 2022/23.
- 11.7 It should be noted that the County Council's precept comes in two parts, a general precept and an adult social care precept, this following the Secretary of State's offer to all adult social care authorities (those with functions under Part 1 of the Care Act 2014). The offer was the option of an adult social care authority being able to charge an additional "precept" on its council tax without holding a referendum, to assist the authority in meeting its expenditure on adult social care. This arrangement has been in place since the financial year 2016-17.
- 11.8 All parish precepts have also been notified to the Council. These are reflected, along with the precepts set out in paragraphs 11.5 and 11.6, in the formal Council Tax Resolution as detailed as Appendix 1.
- 11.9 As is required, the Council has consulted with local businesses regarding the budget.

## 12 RISK AND SENSITIVITY ANALYSIS

- 12.1 The Local Government Act 2003 places two specific requirements on an authority's Section 151 Officer in determining the Council's budget and Council Tax. Under Section 25, the Section 151 Officer must advise on the **robustness of the estimates** included in the budget. The advice given to the Council on this issue is that the estimates have been produced on a prudent basis, with a strong emphasis on ensuring all cost pressures are included. Budget estimates have been developed with senior officers, with regular updates and discussions with members of Management Team.
- 12.2 The key risks are around funding of the Council. The Final Settlement provides clarity around grant funding for 2022/23, but looking beyond that, there is very limited information to put forward a MTFs based on confident assumptions on future Government funding. The risks from 2023/24 are significant; there is limited information on likely sources of funding and indeed the value of any funding to be received.
- 12.3 Possibly the greatest concern for this Council however, is that reports suggest that Government intend to implement a full Business Rate baseline reset in 2023/24. The current baseline was set in 2013, when all councils were given a share of Business Rates equal to their calculated needs. Since then councils have been allowed to keep a share of their growth, which for us as a district council has been 40%. In broad figures our baseline is £2.5 million, where we actually budget for £3.9 million of Business Rates because of this growth. If the baseline is fully reset, we could lose all of this growth and won't know what our revised baseline will be until the results of the Local Government Fair Funding Review (as detailed in 4.1) are announced. An allowance has been made in the MTFs for this probable reduction, but at this point, there is no certainty on what this is likely to be.
- 12.4 To mitigate the above risk, the Section 151 Officer will continue to report on a frequent basis to Management Team and members as new information becomes available.

- 12.5 The Section 151 Officer is also required to report on the **adequacy of reserves**. The projected level of reserves, specifically the General Fund Reserve and Surplus Savings Reserve, and their use in 2022/23 are **prudent** and show how these will sustain the functions of the Council in that year.
- 12.7 However, the MTFS assumes the remainder of the Surplus Savings Reserve is utilised during 2023/24 and 2024/25, which will reduce the overall level of reserves significantly. Reserves can only be utilised once and while the purpose of the Surplus Savings Reserve is to provide one-off funding to balance the budget in future years, the Council needs to be considering all options to reduce the speed that this is being utilised so that it remains available further into the future. The Council has a track record of delivering additional savings and generating extra income in advance of the budget requirement, so work done during 2021/22 and 2022/23 financial years will hopefully lead to a reduced draw from the Surplus Savings Reserve in these and future years through the MTFS period.
- 12.8 Another key risk for the Council is its loan to ECTC. Should ECTC encounter any financial difficulties and be unable to repay the £4,900,000 loan, then the Council will need to account for this within its financial statements. In such an event, the Council would need to draw on its reserves to meet such a liability. At this point however, it should be noted there is no indication that this is likely to be the case.

### 13 MEDIUM TERM FINANCIAL STRATEGY

- 13.1 The Council's Medium Term Financial Strategy is to set a robust financial framework for the Council's plans over the next four years which support the delivery of the Council's priorities within a context of an annual balanced budget. Specifically, the MTFS:
- Looks to the longer term to help plan sustainable services within an uncertain external economic and funding environment;
  - Maximises the Council's financial resilience and manage risk and volatility, including managing adequate reserves;
  - Helps ensure that the Council's financial resources are directed to support delivery of the Council's priorities over the medium term.
- 13.2 The MTFS covers the period 2022/23 to 2025/26. As highlighted earlier in the report, the Spending Review and Local Government Settlement announced by Government for 2022/23 provides assurance about the grant position for that year and these figures can therefore be considered robust.
- 13.3 However, it is extremely difficult to develop a robust MTFS to cover the period 2023/24 and beyond while the uncertainties around future funding levels from Government remain. The Government is currently considering options around the Local Government Fair Funding Review to determine how much of this funding is allocated to individual authorities. This issue creates considerable uncertainty for local authority funding; and is an issue which will require monitoring in the coming year, so the Council can adjust its MTFS as new information becomes available. Updates will be provided to the Finance and Assets Committee as further information becomes available.

13.4 The assumptions used in the MTFs include:

- Government funding through Revenue Support Grant, New Homes Bonus, Lower Tier Grant and the 2022/23 Services Grant will all end in 2022/23;
- Inflation on staff pay is included at 2% in all future years
- 2% inflation is added to the Waste contract on an annual basis, however additional budget is provided from 2023/24 when the new recycling vehicles (budgeted to be purchased in 2022/23) will start being charged to ECSS. (This cost increase would have occurred regardless of whom is undertaking the contract at this point);
- The next Pension Fund Revaluation is on the 31<sup>st</sup> March 2022, with any revision to our contribution rate implemented on 1<sup>st</sup> April 2023. At this time, we are assuming the rate will remain unchanged.
- The loans to ECTC are planned to be repaid in 2023, the interest received by the Council on these loans will therefore stop at this point. The loan repayments will be used to reduce / prevent the Council needing to borrow externally, therefore reducing costs, albeit not to the magnitude that income will be lost;
- There remains no assumption in the MTFs for any dividends being received from ECTC. (While noting that no dividends are budgeted for, it should not be forgotten that the Council continues to get significant benefits from ECTC, with interest being paid on the loans provided at a rate far higher than available from its investments, the recharge of management and support services costs to the Company (forecast to be £86,650 in 2022/23), the hire of the Market Place and part of the depot, as well as Capital Receipts, Section 106 contributions and eventually additional Council Tax receipts from the properties developed.)
- The Council has a track record of delivering cost reductions; it is anticipated therefore that a contribution to the budget deficit forecast in future years will be achieved during the term through general efficiencies and income generating opportunities; however, to be prudent, no account of these are shown within the forecasts within this report.

13.5 The impact of the above assumptions is attached at Appendix 2. This shows the budget for 2022/23 and 2023/24 is fully funded. However, there is significant budget shortfalls projected in 2024/25 and subsequent years. Clearly many things will change between now and then, so members should not focus on the precise numbers. What is far more important is that members appreciate the direction of funding facing this and many local authorities, and the likely scale. It will be necessary to develop a plan to meet these shortfalls, although the Council does have time (although limited) to put the necessary plans in place. The Council also has access to a reasonable level of reserves, as described in section 8 of this report.

13.6 While noting the uncertainty that is highlighted in this report about the 2023/24 financial year, it is considered unlikely that the quantum of funding from Government will increase and as such, this Council will need to identify measures to bridge the budget gap. A comparison between this year's MTFs and the past two last years does highlight a reducing forecast savings need to be identified in years three and four, although it should be noted that the budgets for 2021/22 and 2022/23 assume a £5 Council Tax increase from 2022/23, where this was not included in the 2020/21 budget. This therefore removes one of the options that the Council has to balance the remaining budget gap. It remains of great importance therefore that the Council continues to look for savings, to ensure that it can balance its budget in future years.

2020/21 Budget	
2020/21 – budget year	Balanced
2021/22 – MTFS year 1	Balanced
2022/23 – MTFS year 2	Savings to find £3,266,854
2023/24 – MTFS year 3	Savings to find £4,391,777
2021/22 Budget	
2021/22 – budget year	Balanced
2022/23 – MTFS year 1	Balanced
2023/24 – MTFS year 2	Savings to find £4,143,095
2024/25 – MTFS year 3	Savings to find £4,117,856
2022/23 Budget	
2022/23 – budget year	Balanced
2023/24 – MTFS year 1	Balanced
2024/25 – MTFS year 2	Savings to find £2,342,398
2025/26 – MTFS year 3	Savings to find £3,859,246

13.7 Options to resolve the budget shortfalls in future years come from:

- Efficiencies in the cost of service delivery
- Reductions in service levels
- Increased income from fees and charges
- Increased commercialisation via its trading companies

13.8 While noting the Council's favourable position of having a balanced budget (by use of the Surplus Savings Reserve) for 2022/23 and 2023/24, it is strongly recommended that early consideration is made to how savings in future years will be achieved. All the bullets above need to be considered, with a quickening of the pace of commercialisation and the review of all income generating opportunities, as these are potentially the areas that could generate the highest returns, while having least impact on the services provided by the Council. However, within the MTFS period, all options will need to be considered and potentially implemented.

13.9 Any savings achieved in 2021/22 and 2022/23 resulting in potential underspends in those years, will allow further funding to be moved into the Surplus Savings Reserve and therefore available to assist in the balancing of the budget in future years.

## 14 ARGUMENTS / CONCLUSIONS

14.1 The proactive actions already taken have led to balanced budgets for 2022/23 and 2023/24 (based on known information and the use of the Surplus Savings Reserve). The budget for 2022/23 therefore has minimal risks attached to it, although the Medium Term Financial Strategy and the new funding regime expected to come into place from 2023/24 do contain significant uncertainty and therefore risk. While there is little this Council can do to remove this uncertainty at this point, it does need to look now for opportunities within its own control, which will bridge some part of the funding gap currently forecast.

15 FINANCIAL IMPLICATIONS / EQUALITY AND CARBON IMPACT ASSESSMENTS

- 15.1 The proposed net operating budget of £10,632,934 will be financed by Revenue Support Grant, retained Business Rates, Council Tax and a contribution from the Surplus Savings Reserve.
- 15.2 An Equality Impact Assessment is not considered necessary, as no public facing services are being reduced in 2022/23.
- 15.3 A Carbon Impact Assessment (CIA) is also not considered necessary, as there will be no changes to service provision in 2022/23.

16 APPENDICES

Appendix 1 – Formal Council Tax Resolution (to follow)

Appendix 2 - Draft Budget 2022/23 and MTFS

Appendix 3 - Statement of Reserves

Appendix 4 - Schedule of Fees and Charges

Appendix 5 - Capital Programme

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**Background Documents**

2021/22 Budget to Full  
Council – 23<sup>rd</sup> February  
2021

**Location**

Room 104  
The Grange  
Ely

**Contact Officer**

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MTFS up-date report to  
Finance and Assets  
Committee – 5<sup>th</sup> October  
2021

Budget Report to Finance &  
Assets Committee – 24<sup>th</sup>  
January 2022

**DRAFT BUDGET 2022-23**

	Budget 2021-22 £	Estimate 2022-23 £	Estimate 2023-24 £	Estimate 2024-25 £	Estimate 2025-26 £
Committees:					
Operational Services	5,558,994	<b>5,802,153</b>	6,029,361	6,243,777	6,376,416
Finance & Assets	5,517,792	<b>5,607,728</b>	5,791,416	5,978,724	6,193,095
Net District Spending	11,076,786	<b>11,409,881</b>	11,820,777	12,222,500	12,569,510
New Homes Bonus Grant	-540,959	<b>-1,112,624</b>	0	0	0
Rural / Lower Tier Services Grant	-274,640	<b>-452,410</b>	-169,586	-169,586	-169,586
Covid-19 Grant	-463,270	<b>0</b>	0	0	0
Internal Drainage Board Levies	512,018	<b>571,955</b>	583,394	595,062	606,963
Contributions to / from Corporate Reserves	199,881	<b>216,132</b>	216,132	216,132	216,132
Net Operating Expenditure	10,509,816	<b>10,632,934</b>	12,450,717	12,864,108	13,223,019
Contribution from Surplus Savings Reserve	-2,072,648	<b>-1,065,987</b>	-3,943,875	-1,531,749	0
Savings to be identified	0	<b>0</b>	0	-2,342,398	-3,859,246
ECDC Budget Requirement	8,437,168	<b>9,566,947</b>	8,506,842	8,989,962	9,363,774
Parish Council Precepts	2,521,330	<b>2,739,806</b>	2,808,301	2,878,509	2,950,472
<b>DISTRICT BUDGET REQUIREMENT</b>	<b>10,958,498</b>	<b>12,306,753</b>	<b>11,315,143</b>	<b>11,868,471</b>	<b>12,314,246</b>
<u>Financed by:</u>					
Council's share of Collection Funds Surplus/De	191,008	<b>-283,649</b>	201,376	0	0
Revenue Support Grant	-11,829	<b>-12,579</b>	0	0	0
Locally retained Non-Domestic Rates	-3,687,369	<b>-3,999,110</b>	-3,212,493	-3,264,642	-3,403,222
Plus: NNDR from Renewable Energy	-674,728	<b>-693,304</b>	-693,304	-693,304	-693,304
<b>COUNCIL TAX REQUIREMENT</b>	<b>6,775,580</b>	<b>7,318,111</b>	<b>7,610,722</b>	<b>7,910,525</b>	<b>8,217,720</b>

	Estimate 2021-22 £	Estimate 2022-23 £	Estimate 2023-24 £	Estimate 2024-25 £	Estimate 2024-25 £
Unallocated Surplus Savings Reserve					
In hand at 1st April	7,836,516	<b>6,541,611</b>	5,475,624	1,531,749	0
Movement in year	-1,294,905	<b>-1,065,987</b>	-3,943,875	-1,531,749	0
In hand at 31st March	6,541,611	<b>5,475,624</b>	1,531,749	0	0

<b>IMPLIED BAND 'D' COUNCIL TAX</b> (District only i.e. excluding parish levies)					
Demand on Collection Fund as above	6,775,580	<b>7,318,111</b>	7,610,722	7,910,525	8,217,720
Less Parish Precepts as above	2,521,330	<b>2,739,806</b>	2,808,301	2,878,509	2,950,472
	4,254,250	<b>4,578,305</b>	4,802,421	5,032,016	5,267,248
Council Tax Base	29,930.0	<b>31,115.3</b>	31,565.8	32,022.5	32,485.8
District Council Tax - Band D	142.14	<b>147.14</b>	152.14	157.14	162.14

Description	Budget 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
<b>Operational Services</b>					
Building Regulations	17,696	<b>30,900</b>	30,952	31,005	31,059
Civic Amenities	11,671	<b>9,828</b>	10,017	10,210	10,407
Climate Change	100,000	<b>100,000</b>	100,000	100,000	100,000
Community Projects & Grants	179,585	<b>189,099</b>	190,757	192,449	194,174
Community Safety	57,002	<b>57,661</b>	58,495	59,346	60,214
Cons. Area & Listed Buildings	60,967	<b>64,569</b>	65,610	66,672	67,755
Customer Services	460,037	<b>493,405</b>	503,558	513,915	524,480
Dog Warden Scheme	34,443	<b>36,022</b>	36,535	37,058	37,591
Emergency Planning	28,374	<b>28,665</b>	28,962	29,265	29,574
Environmental	91,486	<b>146,705</b>	148,956	139,375	141,964
Environmental Health	410,201	<b>423,589</b>	431,540	439,650	450,923
Homelessness	343,080	<b>377,911</b>	387,281	396,839	406,338
Information Technology	801,664	<b>872,889</b>	883,493	899,001	914,820
Leisure Centre	-241,113	<b>-471,469</b>	-649,136	-551,038	-551,038
Licencing - Env Services	2,499	<b>11,835</b>	8,244	4,202	-331
Marketing & Grants	70,094	<b>73,229</b>	42,420	42,838	43,265
Nuisances	75,315	<b>80,306</b>	81,836	83,396	84,988
Parish Forums	1,500	<b>1,500</b>	1,500	1,500	1,500
Performance Management	10,400	<b>10,400</b>	10,400	10,400	10,400
Pest Control	9,341	<b>9,866</b>	10,054	10,246	10,442
Planning	6,808	<b>144,837</b>	155,895	167,276	178,987
Public Relations	75,917	<b>102,779</b>	104,820	106,902	109,026
Recycling	1,006,700	<b>1,051,426</b>	1,390,847	1,416,742	1,443,157
Refuse Collection	1,201,511	<b>1,237,556</b>	1,262,307	1,287,553	1,313,304
Street Cleansing	703,258	<b>724,356</b>	738,843	753,620	768,692
Street Naming & Numbering	6,841	<b>16,289</b>	16,531	16,779	17,031
The Old Gaol House	0	<b>0</b>	0	0	0
Travellers Sites	-22,000	<b>-22,000</b>	-21,356	-21,424	-22,306
Tree Preservation / Landscaping	55,717	<b>0</b>	0	0	0
	5,558,994	<b>5,802,153</b>	6,029,361	6,243,777	6,376,416
<b>Finance &amp; Assets</b>					
Asset Management	141,918	<b>141,918</b>	141,918	141,918	141,918
Award Ditches	9,006	<b>9,276</b>	9,462	9,651	9,844
Civic Relations	22,542	<b>22,448</b>	22,741	23,040	23,345
Closed Churchyards	29,668	<b>30,558</b>	31,169	31,792	32,428
Community Transport	15,000	<b>15,000</b>	15,000	15,000	15,000
Corp. Man. Policy Research / Review	274,503	<b>159,973</b>	162,511	165,111	167,773
Council Tax Collection Costs	423,191	<b>423,264</b>	439,923	456,067	467,751
Data Management	100,992	<b>96,167</b>	97,404	98,665	99,952
Economic Development	31,649	<b>43,430</b>	52,705	58,077	63,560
Finance	347,842	<b>365,772</b>	372,955	380,280	387,752
General Gang	82,556	<b>87,128</b>	88,421	89,739	91,084
Health & Safety (Work)	22,566	<b>22,857</b>	23,154	23,457	23,766
Housing Benefits	336,367	<b>364,917</b>	388,184	410,279	420,437
Housing Strategy	230,177	<b>274,130</b>	282,298	290,631	299,129
Human Resources (including training)	209,337	<b>222,112</b>	220,396	222,725	225,101
Interest & Financial Transactions	-31,859	<b>-81,594</b>	74,035	79,559	81,386
Internal Audit	72,822	<b>74,278</b>	75,764	77,280	78,826
Land Charges Admin	-41,268	<b>-36,498</b>	-38,076	-39,687	-41,329
Legal Services	240,531	<b>254,869</b>	259,428	264,078	268,821
Local Elections	22,500	<b>22,500</b>	22,500	22,500	22,500
Local Plans	95,000	<b>95,000</b>	95,000	95,000	95,000
Management Team	364,685	<b>418,878</b>	427,017	443,988	496,847
Markets	0	<b>0</b>	0	0	0
Member & Committee Support	531,290	<b>562,984</b>	573,994	574,713	585,648
Misc. Financial Services	761,012	<b>715,692</b>	722,412	783,862	846,541
Miscellaneous Properties	-45,157	<b>-45,940</b>	-45,973	-46,006	-46,040
NNDR Collection Costs	45,170	<b>45,264</b>	49,780	54,064	56,953
Out Of Hours Service	12,000	<b>15,000</b>	15,300	15,606	15,918
Parking of Vehicles	63,691	<b>61,276</b>	2,442	6,636	10,914
Parks and Open Spaces	268,562	<b>262,873</b>	319,798	326,861	334,065
Payroll	70,665	<b>77,231</b>	78,651	80,099	81,576
Public Conveniences	154,013	<b>147,830</b>	153,094	155,693	158,348
Registration of Electors	53,371	<b>51,721</b>	51,721	51,721	51,721
Reprographics	116,170	<b>139,032</b>	140,723	142,449	144,210
Office Accommodation	354,203	<b>382,402</b>	402,800	409,878	417,095
Sport & Recreation Admin	133,077	<b>165,980</b>	62,765	63,998	65,255
	5,517,792	<b>5,607,728</b>	5,791,416	5,978,724	6,193,095
<b>Total</b>	<b>11,076,786</b>	<b>11,409,881</b>	<b>11,820,777</b>	<b>12,222,500</b>	<b>12,569,510</b>

## Reserve Accounts

Appendix 3

Description	2021/22				2022/23			
	Opening Balance 1 April	Transfers to Reserve	Contributions from Reserve	Forecast Balance 31 March	Opening Balance 1 April	Transfers to Reserve	Contributions from Reserve	Forecast Balance 31 March
	£	£	£	£	£	£	£	£
District Elections	22,500	22,500		45,000	45,000	22,500		67,500
Historic Buildings Grants	6,190			6,190	6,190			6,190
Housing Conditions Survey	45,000	5,000		50,000	50,000	5,000		55,000
Building Control	23,155			23,155	23,155			23,155
Change Management	249,223		(5,353)	243,870	243,870		(12,312)	231,558
Major Project Development	100,000			100,000	100,000			100,000
Surplus Savings Reserve	7,836,516	777,743	(2,072,648)	6,541,611	6,541,611		(1,065,987)	5,475,624
Vehicle Replacements	89,187			89,187	89,187			89,187
Sports Facilities Funding Reserve	87,722	142,127		229,849	229,849	70,151		300,000
IT	80,000	10,000		90,000	90,000	40,000		130,000
CIL	5,223,174	4,376,757	(2,100,000)	7,499,931	7,499,931	1,400,000	(1,000,000)	7,899,931
CIL Admin	226,560		(50,000)	176,560	176,560	70,000	(100,000)	146,560
Care and Repair	45,000			45,000	45,000			45,000
Community Fund Reserves	30,884		(16,000)	14,884	14,884			14,884
Housing	79,547			79,547	79,547			79,547
Affordable Housing	412,510	53,200	(243,910)	221,800	221,800		(121,800)	100,000
General Fund Balance	1,045,629	5,353		1,050,982	1,050,982	12,312		1,063,293
Commercial Invest to Save	20,000			20,000	20,000			20,000
CLT Grant Applications	20,000			20,000	20,000			20,000
Travellers' Sites	0	40,762		40,762	40,762	48,523		89,285
Enterprise Zone NNDR	389,617	146,681		536,298	536,298	216,132		752,430
Cambridgeshire Horizons	0	3,891,500	(103,000)	3,788,500	3,788,500		(250,000)	3,538,500
Council Tax / NNDR Carry Forwards	3,105,955	1,388,529	(3,105,955)	1,388,529	1,388,529		(1,388,529)	0
Climate Change	39,422		(39,422)	0	0			0
Other								
Section 106 Agreements	3,358,535		(500,000)	2,858,535	2,858,535		(500,000)	2,358,535
Internal Borrowing	(11,051,229)	690,000	381,144	(9,980,085)	(9,980,085)	(2,825,950)	4,407,944	(8,398,091)
<b>Total Reserves</b>	<b>11,485,097</b>	<b>11,550,152</b>	<b>(7,855,144)</b>	<b>15,180,105</b>	<b>15,180,105</b>	<b>(941,332)</b>	<b>(30,684)</b>	<b>14,208,089</b>

## Reserve Accounts

Description	2023/24				2024/25			
	Opening Balance 1 April	Transfers to Reserve	Contributions from Reserve	Forecast Balance 31 March	Opening Balance 1 April	Transfers to Reserve	Contributions from Reserve	Forecast Balance 31 March
	£	£	£	£	£	£	£	£
District Elections	67,500	22,500	(90,000)	0	0	22,500		22,500
Historic Buildings Grants	6,190			6,190	6,190			6,190
Housing Conditions Survey	55,000	5,000		60,000	60,000	5,000		65,000
Building Control	23,155			23,155	23,155			23,155
Change Management	231,558		(181,778)	49,780	49,780		(41,339)	8,441
Major Project Development	100,000			100,000	100,000			100,000
Surplus Savings Reserve	5,475,624		(3,943,875)	1,531,749	1,531,749		(1,531,749)	(0)
Vehicle Replacements	89,187			89,187	89,187			89,187
Sports Facilities Funding Reserve	300,000			300,000	300,000			300,000
IT	130,000	40,000	(50,000)	120,000	120,000	40,000		160,000
CIL	7,899,931	1,400,000	(1,000,000)	8,299,931	8,299,931	1,400,000	(1,000,000)	8,699,931
CIL Admin	146,560	70,000	(100,000)	116,560	116,560	70,000	(100,000)	86,560
Care and Repair	45,000			45,000	45,000			45,000
Community Fund Reserves	14,884			14,884	14,884			14,884
Housing	79,547			79,547	79,547			79,547
Affordable Housing	100,000			100,000	100,000			100,000
General Fund Balance	1,063,293	181,778		1,245,072	1,245,072	41,339		1,286,411
Commercial Invest to Save	20,000			20,000	20,000			20,000
CLT Grant Applications	20,000			20,000	20,000			20,000
Travellers' Sites	89,285	56,959		146,244	146,244	56,959		203,203
Enterprise Zone NNDR	752,430	216,132		968,562	968,562	216,132		1,184,694
Cambridgeshire Horizons	3,538,500			3,538,500	3,538,500			3,538,500
Council Tax / NNDR Carry Forwards	0			0	0			0
Climate Change	0			0	0			0
Other								
Section 106 Agreements	2,358,535		(500,000)	1,858,535	1,858,535		(500,000)	1,358,535
Internal Borrowing	(8,398,091)	0	1,423,205	(6,974,886)	(6,974,886)	0	593,205	(6,381,681)
<b>Total Reserves</b>	<b>14,208,089</b>	<b>1,992,369</b>	<b>(4,442,448)</b>	<b>11,758,010</b>	<b>11,758,010</b>	<b>1,851,930</b>	<b>(2,579,883)</b>	<b>11,030,057</b>

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**AMENDMENTS TO CONSTITUTION**

Committee: Council

Date: 22 February 2022

Report Author: Legal Services Manager & Monitoring Officer and Democratic Services Manager & Deputy Monitoring Officer

[W144]

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1.0 **ISSUE**

1.1 To review the Constitution and consider proposed amendments.

2.0 **RECOMMENDATIONS**

2.1 That Council be recommended to approve the proposed amendments to the Constitution namely: -

2.1.1 Note the change to the period for Agenda despatch/publication to 7 days for Council, the 2 Policy Committees and Audit Committee as detailed in 3.2 below and amend the Access to Information Procedure Rules as set out in Appendix 1;

2.1.2 Amend Council Procedure Rules 6 & 10.1 to reflect the move to 7 clear working days for the despatch/publication of the full Council Agenda as detailed in 3.3 below;

2.1.3 Amend Council Procedure Rule 8.1.2 to designate the Monitoring Officer (Deputy Monitoring Officer in absence) as the responsible officer in relation to Public Question Time as detailed in 3.4 below;

2.1.4 Amend Council Procedure Rule 8.1.4 to include the Leader of Council as a relevant member to which a public question can be put as detailed in 3.5 below;

2.1.5 Consider the existing Council Procedure Rule 24.1.3 for calling of Special Meetings as set out in 3.6 below and the amending of the Procedure Rule in accordance with one of the two options detailed;

2.1.6 Amend the officer delegations as set out in 3.8 and Appendix 1.

2.2 That the Legal Services Manager and Democratic Services Manager be authorised to make any consequential changes to the Constitution arising from the agreed amendments.

### 3.0 BACKGROUND/OPTIONS

- 3.1 From the Autumn of 2021, the Chairmen of Council, the 2 Policy Committees and Audit Committee introduced more formalised procedures to ensure the smooth and efficient running of their Committees and facilitate fuller and more informed debate at meetings. This included encouraging Members to submit written questions on the content of reports in advance of the meeting and following a more formalised process for the order of business for each agenda item.
- 3.2 Following discussions by the Chief Executive with Group Leaders, a change to Agenda despatch/publication arrangements was agreed to provide more time for Councillors to formulate and submit written questions on the content of reports going to forthcoming meetings of the aforementioned Committees. With effect from the pre-budget committee cycle commencing in January 2022, Agenda despatch/publication for full Council, the 2 Policy Committees and Audit Committee were moved to 7 clear working days, instead of the statutory 5 clear working days, on an informal basis to start with until the situation could be formalised via Constitutional amendments this full Council meeting. The regulatory Planning and Licensing Committees remain subject to the '5 day rule'. The proposed amendments to the Access to Information Procedure Rules are contained within Appendix 1 and shown as 'track changes'.
- 3.3 Amendments also are required to Council Procedure Rule 6 to reflect the move to 7 clear working days for the despatch/publication of the full Council Agenda and to Procedure Rule 10.1 to increase the period for the written submission of Motions with Notice from 8 clear working days to 10 clear working days, to enable them to be included on the Agenda for a Council meeting.
- 3.4 At present, the Constitution does not set out the procedure for the assessment of public questions in relation to whether the question is considered to be improper (for example, whether it is offensive, slanderous or discloses information that the Council should keep confidential) before the Chairman invites the questioner to read out their question/statement. An amendment is required to Council Procedure Rule 8.1.2 to allow for the Monitoring Officer (or Deputy Monitoring Officer in absence) to be formally designated as the responsible officer for checking if the question is improper before the question/statement is read out.
- 3.5 The Constitution currently only allows public questions to be put to the Chairman of Council or Chairman of the relevant Committee. An amendment is required to Council Procedure Rule 8.1.4 to include the Leader of Council as the relevant Member to which a public question can be put.
- 3.6 Following the establishment of an Audit Committee comprising 5 Members with effect from May 2021, attention also has been drawn to an apparent anomaly in Council Procedure Rule 24.1.3 regarding the calling of Special Meetings of Committee, Sub-Committee, Panel or Working Party meetings. This Procedure Rule states that:

‘A special meeting shall also be called on the requisition of half of the whole number of the Committee, Sub-Committee, Panel or Working Party, delivered in writing to the Chief Executive, but in no case shall fewer than four Members requisition a special meeting.’

In the case of Audit Committee and smaller Member bodies, this would require almost all Members of the body to requisition a special meeting. Under the circumstances, it may be more reasonable for the requisition requirement to be set at simply half of the whole number of the Committee, Sub-Committee, Panel or Working Party, or at half with no fewer than 3 Members (as this is a quorum).

- 3.7 All of the proposed amendments to Council Procedure Rules detailed in paragraphs 3.3 to 3.6 above are shown in Appendix 2 as ‘track changes’.
- 3.8 Following a restructuring at Anglia Revenues Partnership (ARP), a minor amendment is required to the officer delegations contained within the Terms of Reference for Finance and Assets Committee to reflect the new arrangements. The proposed amendments to the officer delegations are contained within Appendix 1 and shown as ‘track changes’.

#### 4.0 ARGUMENTS/CONCLUSIONS

- 4.1 The recommendations contained in paragraphs 2.1 and 2.2 reflect the arguments put forward in paragraph 3.

#### 5.0 FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT (EIA)/CLIMATE IMPACT ASSESSMENT (CIA)

- 5.1 There are no additional financial implications arising from this report. An Equality Impact Assessment (EIA)/Climate Impact Assessment (CIA) are not required.

#### 6.0 APPENDICES

Appendix 1 – proposed Constitutional amendments in respect of officer delegations and Access to Information Procedure Rules set out in paragraphs 3.2 & 3.8

Appendix 2 – proposed amendments to Council Procedure Rules set out in paragraphs 3.3 to 3.6

#### **Background Documents**

Current version of  
Constitution July 2021

#### **Location**

Room 214B  
The Grange  
Ely

#### **Contact Officer**

Tracy Couper  
Democratic Services Manager & DMO  
(01353) 665555  
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<p><b>Local Government Finance Act 1988 – National Non-Domestic Rates (NNDR)</b></p> <p>To deal with refunds, part-occupation of hereditaments, mandatory and discretionary rate relief, rebates arrears, including bankruptcies, tenants and lodgers, valuation (including agreements and appeals to Valuation Courts), Court proceedings and distress proceedings</p>	Finance Manager
<p>To write-off NNDR <u>debt</u> not exceeding £10,000</p>	<p><u>Head of ARP, Head of NNDR, Recovery and Enforcement or Head of Benefits and Council Tax Billing and Strategic Manager (Revenues)</u></p> <p><u>Within ARP, Operations Managers Revenues to write-off debts below £1,500 and Recovery Managers Revenues and NNDR Team Leaders to write-off debts below £100</u></p>
<p>To deal with write-offs exceeding £10,000 but under £20,000, after consultation with the Chairman of the Committee, where recovery is unlikely / uneconomic.</p>	Finance Manager
<p>Section 49 To determine applications for remission of non-domestic rates on hardship grounds.</p>	Finance Manager
<p>To determine applications in respect of partly occupied properties.</p>	Finance Manager
<p><b>Local Government Finance Act 1992 (as amended) Council Tax</b></p> <p>To deal with/authorise issue of completion notices, discounts, recovery and enforcement exemptions, agreement of alternative and voluntary instalment arrangements, determination of joint and several liability, refunds, imposition of penalties, reductions for people with disabilities, second adult rebates, determination of sole or main residence, grant of transitional reductions, write-offs up to £1,000 where recovery is unlikely or uneconomic.</p>	Finance Manager
<p>To take appropriate action on a Referendum on Council Tax in the event of a determination by the Secretary of State.</p>	Finance Manager and Returning Officer
<p>To write-off Council Tax and Housing Benefit Overpayments <u>debt</u> not exceeding £5,000</p>	<p><u>Head of ARP, Head of NNDR, Recovery and Enforcement or Head of Benefits and Council Tax Billing</u></p>

	<u>Within ARP, Operations Managers Revenues to write-off debts below £1,500 and Recovery Managers Revenues and NNDR Team Leaders to write-off debts below £100</u> <u>Head of ARP and Strategic Manager (Revenues)</u>
To deal with write-offs exceeding £5,000 but under £10,000, after consultation with the Chairman of the Committee, where recovery is unlikely or uneconomic.	Finance Manager
To determine matters where appeals may be made to the Council as billing authority.	Finance Manager
To administer the Collection Fund.	Finance Manager
To agree the settlement of precept payment dates with the Major and Local Precepting Authorities.	Finance Manager
To remit, by way of write-off, any amounts becoming due through the revised policy to remove discretionary Council Tax discount for empty properties, in exceptional circumstances or on hardship grounds, after consultation with the Chairman of the Committee.	Finance Manager
To determine the Council Tax Base for the whole and parts of the Council's area for the forthcoming financial year beginning 1 April, with the policy on discounts and premiums to be reviewed by the relevant Committee on at least a three yearly basis.	Finance Manager
<b>Business Rates Retention Scheme</b> To deal with the National Non-Domestic Rates return (NNDR1) by 31 January immediately preceding the financial year to which it relates.	Finance Manager

## **2. ACCESS TO INFORMATION PROCEDURE RULES**

1. These rules apply to all meetings of the Council, Committees, Area Committees (if any), and Sub-Committees. Agenda and reports may be available for Working Parties and Panels (together called meetings of the Council).

### **2. ADDITIONAL RIGHTS TO INFORMATION**

These rules do not affect any statutory rights to information contained elsewhere in this Constitution or the law.

### **3. RIGHTS TO ATTEND MEETINGS**

Members of the public may attend all meetings subject only to the exceptions in these rules.

### **4. NOTICES OF MEETING**

The Council will give at least five clear days notice of any meeting by posting details of the meeting at the Reception area, the Council Offices, The Grange, Nutholt Lane, Ely.

### **5. ACCESS TO AGENDA AND REPORTS BEFORE THE MEETING**

In accordance with statutory requirements, the Council will make copies of the agenda and reports open to the public available for inspection at Council Offices at least five clear days before the meeting. However, the Council has agreed that the agenda and reports for meetings of full Council, Finance & Assets Committee, Operational Services Committee and Audit Committee will be published, open to the public, available for inspection at Council Offices at least seven clear days before the meeting.

If an item is added to the agenda later, the revised agenda (where reports are prepared after the summons has been sent out, the designated officer shall make each such report available to the public as soon as the report is completed and sent to Councillors) will be open to inspection from the time the item was added to the agenda. Access to exempt report or documents are dealt with below.

### **6. SUPPLY OF COPIES**

The Council will supply copies of:

- (a) any agenda and reports, which are open to public inspection;
- (b) any further statements or particulars necessary to indicate the nature of the items in the agenda; and
- (c) if the Chief Executive thinks fit, copies of any other documents supplied to Councillors in connection with an item;

to any person on payment of a charge for postage and any other costs.

### **7. ACCESS TO MINUTES, ETC AFTER THE MEETING**

The Council will make available copies of the following for six years after a meeting:

- (a) the minutes of the meeting, excluding any part of the minutes of proceedings when the meeting was not open to the public or which disclose exempt or confidential information;
- (b) a summary of any proceedings not open to the public where the minutes open to inspection would not provide a reasonable fair and coherent record;

**PART 4**

**RULES OF PROCEDURE**

**COUNCIL PROCEDURE RULES**

**ACCESS TO INFORMATION PROCEDURE RULES**

**BUDGET AND POLICY FRAMEWORK PROCEDURES**

**FINANCIAL REGULATIONS**

**FINANCIAL PROCEDURE RULES**

**CONTRACT PROCEDURE RULES**

**OFFICER EMPLOYMENT PROCEDURE RULES**

**ANTI-FRAUD AND CORRUPTION STRATEGY**

## **1. COUNCIL PROCEDURE RULES**

1. Meetings of the Council
2. Election of Chairman and Vice-Chairman of the Council
3. Quorum
4. Order of Business
5. Time and place of meetings
6. Notice of and summons to meetings
7. Chair of meeting
8. Questions by the public
9. Voting
10. Motions with notice
11. Motions without notice
12. Motions and amendments
13. Questions by Members
14. Minutes
15. One Member at a time
16. Speeches
17. Points of Order
18. Respect for Chair
19. Attendance and conduct at meetings
20. Rescission of Preceding Resolution
21. Suspension and amendment of Council Procedure Rules
22. Record of attendance
23. Exclusion of public
24. Appointment of Committees etc, Substitute and Co-opted Members of Committees and Sub-Committees
25. Referral-Up
26. Council Call-In
27. Application to Committees and Other Member Bodies
28. Member Body Motions without Notice
29. Location of Member Body Meetings

## **1. MEETINGS OF THE COUNCIL**

- 1.1 The Annual Meeting of the Council is held at The Council Chamber, The Grange, Ely on a date and time determined by the Council and published on the Council's website and on agenda published no less than five working days prior to each meeting. In a year of ordinary election of Councillors, the Annual Meeting is held either on the eighth day after the retirement of Councillors or such other day (determined by the Council) within twenty-one days immediately following that day.

The Council shall at the Annual Meeting appoint such Committees, Sub-Committees, Working Parties or other bodies, as they are required to appoint by or under any statute or under this Constitution and may at any time appoint such other Committees, Sub-Committees, Working Parties or other bodies as are necessary to carry out the work of the Council.

Subject to any statutory limitation, such appointments shall not be for any longer period than 2 years. (This does not prevent a Member from being re-appointed at the end of that term).

Council may at any time dissolve a Committee, Sub-Committee, Working Party or other body or alter its membership.

Ordinary meetings of the Council generally are held at 6.00pm on a Tuesday or Thursday (unless the Council agrees an alternative day or time for any meeting or meetings). Council meetings (other than the Annual Meeting) may be held at The Grange or at suitable venues elsewhere in the District.

Extraordinary meetings of the Council – The Chief Executive may call or those listed below may request the Chief Executive to call Council meetings in addition to ordinary meetings:

- 1.1.1 the Council by resolution;
- 1.1.2 the Chairman of the Council;
- 1.1.3 the Monitoring Officer; and
- 1.1.4 any five Members of the Council if they have signed a requisition presented to the Chairman of the Council and he/she has refused to call a meeting or has failed to call a meeting within eight working days of the presentation of the requisition.

## **2. ELECTION OF CHAIRMAN AND VICE-CHAIRMAN OF THE COUNCIL**

The Council at the Annual Meeting elects a Chairman and Vice-Chairman. Nominations for these offices are to be duly proposed and seconded and delivered to the Chief Executive not less than fourteen days before the date of the Annual Meeting (except in the year of District Elections, when they must be delivered not less than five days before the meeting).

## **3. QUORUM**

No business can be transacted at a meeting of full Council unless at least 7 Members of the Council are present. If there are less than 7 Members present (not including those who have declared an interest and left the Chamber for any item) the Chairman will adjourn the meeting. No business can be transacted at a meeting of the Council's committees and other Member bodies unless there are present sufficient Members to

form a quorum. The quorum figure for each Committee and other Member body is set out in Section 1 of Part 3 of this Constitution.

Any business not transacted up to the time of that adjournment stands over to a date and time fixed by the Chairman at the time the meeting is adjourned, or if no such date or time is fixed, to the next ordinary meeting of the Council.

#### **4. ORDER OF BUSINESS**

4.1 The order of business at meetings of the Council is:

##### **4.1.1 ANNUAL COUNCIL - ORDER OF BUSINESS**

Public question time (15 minutes or until the last question is answered, whichever is the sooner).

- (i) Election of Chairman
- (ii) Anything required to be done prior to the formal business commencing
- (iii) Minutes of the last Council meeting
- (iv) Election of Vice Chairman
- (v) Chairman's announcements
- (vi) Receiving petitions (in accordance with the Petitions Scheme)
- (vii) Motions
- (viii) Questions under Council Procedure Rules
- (ix) Presentations by invited guests
- (x) Names of the Leaders and Deputy Leaders of declared political groups (and where applicable, Leader and Deputy Leader of Council)
- (xi) Any change to the political proportionality of the Council
- (xii) Appointment of Policy Committees, Regulatory Committees (and any Sub-Committees of these bodies) via a written report with a resolution (or an oral report where there is no time for a written report in a year of election)
- (xiii) Appointment of other Member bodies or Working Parties if necessary via a written report with a resolution (or an oral report where there is no time for a written report in a year of election)
- (xiv) Appointments to Outside Bodies if necessary, via a written report with a resolution (or an oral report where there is no time for a written report in a year of election)
- (xv) Recommendations from Committees and other Member bodies
- (xvi) Any items, which have not been through Committees and other Member bodies etc but which require a resolution of Full Council
- (xvii) Confidential items.

##### **4.1.2 ORDINARY MEETINGS OF COUNCIL - ORDER OF BUSINESS**

Public question time (15 minutes or until the last question is answered whichever is the sooner)

- (i) Election of Chairman (if the Chairman and Vice-Chairman are not present)
- (ii) Anything required to be done prior to the formal business commencing
- (iii) Minutes of the last Council meeting
- (iv) Chairman's announcements

- (v) Receiving Petitions (in accordance with the Petitions Scheme)
- (vi) Motions
- (vii) Questions under Council Procedure Rules
- (viii) Presentations by invited guests/Committee Chairpersons
- (ix) Recommendations from Committees and other Member bodies
- (x) Any items which have not been through Committees and other Member bodies, etc but which require a resolution from full Council
- (xi) Any report(s) from Council appointees on the activities of the Board, Committees and other Member Bodies of the Cambridgeshire & Peterborough Combined Authority
- (xii) Any changes to the political proportionality of the Council, its effect on Committees, etc and to Leaders and Deputy Leaders of declared political groups.
- (xiii) Confidential items

#### 4.1.3 EXTRAORDINARY (OR SPECIAL) MEETINGS OF COUNCIL - ORDER OF BUSINESS

Public question time (15 minutes or until the last question is answered whichever is the sooner).

- (i) Election of Chairman (if the Chairman and Vice-Chairman are not present)
- (ii) Chairman's announcements
- (iii) Consideration of the matter in respect of which the EGM has been called (where exempt/confidential information may be discussed, it may be necessary to exclude the press and public for all or part of the item)

Minutes of the last Council meeting will not ordinarily be received at any Extraordinary Council meeting.

4.2 The election of a Chairman (as necessary) and anything required to be done prior to the formal business of the meeting commencing must be done before any other items. The order of the remaining business may be varied:

4.2.1 by the Chairman at his/her discretion;

4.2.2 by a resolution passed on a motion (which need not be in writing) duly moved and seconded (which is to be moved and put without discussion).

#### 5. **TIME AND PLACE OF MEETINGS**

The time and place of meetings will be determined by the Chief Executive and notified in the summons.

#### 6. **NOTICE OF AND SUMMONS TO MEETINGS**

The Chief Executive will give notice to the public of the time and place of any meeting in accordance with the Access to Information Rules. At least ~~five~~<sup>seven</sup> clear working days before a meeting, the Chief Executive will send a summons signed by him or her by post to every Member of the Council or leave it at their usual place of residence. The summons will give the date, time and place of each meeting and specify the business to be transacted, and will be accompanied by such reports as are available.

## 7. CHAIR OF MEETING

The person presiding at the meeting may exercise any power or duty of the Chairman. Where these rules apply to Committee and Sub-Committee meetings, references to the Chairman also include the Chairman of Committees and Sub-Committees.

## 8. QUESTIONS FROM THE PUBLIC

8.1 To give the public a more direct role in the Council and Committee meetings, the Council has a public question time before the formal start of business.

8.1.1 There is up to 15 minutes public question time immediately prior to each Council or Committee meeting, which does not form part of the formal business of Council (in that resolutions and decisions cannot be immediately taken from it).

8.1.2 Any member of the public (excluding a Member of the Council) can ask one question or make one statement on any topic. As long as the Monitoring Officer (or in their absence the Deputy Monitoring Officer) has determined that there is no suspicion that the question/statement is improper (for example, it must not be offensive, slanderous or disclose information that the Council should keep confidential), the Chairman will invite the questioner to read out their question/statement. No other statements should be made by the questioner unless at the Chairman's invitation. A period of 5 minutes will be allowed for each question/statement and response to be given, unless the Chairman agrees to allow an extension of this.

8.1.3 Questions/statements are to be given in writing and placed in a box provided for the purpose prior to commencement of the public question time. Questions are drawn out one at a time. Any questions not answered at the end of the 15 minutes will receive a written reply.

8.1.4 The question is to the Chairman of the Council, Leader of the Council, or the Chairman of the relevant Committee. They may give a verbal answer or undertake to provide a written answer to the question as soon as possible (such reply to be circulated to all Members) or they may decline to answer (for example, on the grounds that the information requested is confidential).

## 9. VOTING

9.1 General

9.1.1 Voting at a meeting of the Council its Committees and other Member bodies is by show of hands, unless a motion is passed to the contrary or unless otherwise stated in this Constitution.

9.1.2 At the Budget meeting(s) each year, voting on any motion or amendment relating to the Budget or setting of the Council Tax will be recorded to show whether each member present voted for or against the motion or amendment or abstained from voting.<sup>1</sup>

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<sup>1</sup> In accordance with The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014

- 9.1.3 With the exception of Rule 9.1.2, when there is a request for a recorded vote (prior to the vote being taken) the voting on a motion or amendment is recorded to show whether each member present voted for or against the motion or amendment or abstained from voting.
- 9.1.4 In the case of an equality of votes, the Chairman shall have a second or casting vote providing the Chairman has already voted.
- 9.1.5 Any Member present at the meeting may, immediately after a vote is taken, request that his/her vote (for or against) or abstention be recorded in the minutes of the meeting.

## 9.2 On Appointments

- 9.2.1 If contested, the appointment of the Chairman and Vice-Chairman of the Council will be by secret ballot.
- 9.2.2 Appointment of Members to:
- Chairmanships and Vice-Chairmanships of Committees
  - Sub-Committees, Working Parties
  - Outside Bodies
- shall be by a show of hands, or by secret ballot on the passing of a motion to allow such a ballot.

## 10. MOTIONS WITH NOTICE

- 10.1 A Council Member may, upon prior written notice, put a motion in writing to Council under this Council Procedure Rule. Notice of every motion (other than a motion which under Council Procedure Rule 11 may be moved without notice) must be given in writing, signed by the member or members of the Council giving notice, and delivered to the Chief Executive ~~eighteen~~ clear working days (i.e. excluding Saturdays, Sundays and Bank Holidays) before the meeting at which it is to be considered. On receipt, it will be dated, numbered in order in which it is received, and entered in a book open to the inspection of every Member of the Council.
- 10.2 The summons for every meeting of the Council will include in full all motions of which notice has been duly given in the order in which they have been received (unless the member giving such a notice has indicated in writing, when giving it, that he proposed to move it at some later meeting, or has subsequently withdrawn it in writing).
- 10.3 If a motion set out in the summons is not moved either by a Member who gave notice thereof or by some other Member on his/her behalf, it will, unless deferred by the consent of the Council, be treated as withdrawn and may not be moved without fresh notice being given.
- 10.4 If the subject matter of any motion comes within the terms of reference of any Committee, Sub-Committee, etc it will, upon being moved and seconded, stand referred without discussion to such Committee, Sub-Committee, etc or to such other Committee, Sub-Committee, etc as the Council decide, unless the Chairman shall decide that it is more convenient and efficient to allow the motion to be dealt with at that Council meeting.

- 10.5 Every motion must be relevant to some matter in relation to which the Council have powers or duties or which affects the District.
- 10.6 Amendments to Motions with notice should be provided in writing and delivered to the Chief Executive not less than 24 hours prior to the date of the meeting at which the Motion will be considered.

## **11. MOTIONS WITHOUT NOTICE**

The following motions and amendments may be moved without notice at a meeting of the Council:

- 11.1 Appointment of a Chairman of that meeting.
- 11.2 Motions relating to the accuracy of the minutes of the previous meeting.
- 11.3 That an item of business listed in the summons be brought forward.
- 11.4 Reference back of a recommendation to a Committee, Sub-Committee, etc.
- 11.5 Appointment of Members to a Committee, Sub-Committee or Working Party, occasioned by an item mentioned in the summons to the meeting.
- 11.6 Receipt and adoption of reports and recommendations of committees, sub-committees etc.
- 11.7 That leave be given to withdraw a motion.
- 11.8 Extending the time limit for speeches.
- 11.9 Amendments to motions (with the exception of amendments on the Council's Budget which should be provided in writing to the Chief Executive at least 24 hours prior to the meeting).
- 11.10 That the Council proceed to the next business.
- 11.11 That the question should now be put.
- 11.12 That the debate should now be adjourned.
- 11.13 That the Council should now adjourn.
- 11.14 Suspending the Constitution or any part of it (in accordance with these Council Procedure Rules).
- 11.15 Motion under section 100A of the Local Government Act 1972 (as amended) to exclude the public (including the press).
- 11.16 That a Member named under these Council Procedure Rules should be not further heard or should leave the meeting.
- 11.17 Giving the consent of the Council where such consent is required by these Council Procedure Rules.
- 11.18 Voting on appointments in accordance with these Council Procedure Rules.
- 11.19 Recorded votes in accordance with these Council Procedure Rules.

## **12. MOTIONS AND AMENDMENTS**

- 12.1 Procedure  
A motion or amendment will not be discussed unless it has been proposed and seconded, and (unless notice has already been given in accordance with these Council Procedure Rules) it will, if required by the Chairman, be put into writing and handed to the Chairman before it is further discussed or put to the meeting.

12.2 Secunder's Speech

A Member when seconding a motion or amendment may, if he/she at that time declares his/her intention to do so, reserve his/her speech until a later period of the debate.

12.3 Amendments

An amendment must be relevant to the motion and should either:

- 12.3.1 refer a subject of debate to a committee, etc for consideration or re-consideration;
- 12.3.2 leave out words;
- 12.3.3 leave out words and insert or add others;
- 12.3.4 insert or add words;

An amendment which has the effect of negating the motion before the Council will not be accepted as an amendment.

12.4 One Amendment at a Time

Only one amendment may be moved and discussed at a time and no further amendment shall be moved until the amendment under discussion has been disposed of. A Member may not move more than one amendment relating to the same matter.

However, two or more amendments may be discussed (but not voted on) together if in the Chairman's opinion this would facilitate the proper conduct of the Council's business.

12.5 Further Amendments

If an amendment is lost, other amendments may be moved on the original motion. If an amendment is carried the motion as amended takes the place of the original motion and shall become the motion upon which any further amendment may be moved.

12.6 Alteration of Motion

A Member may:

- 12.6.1 alter a motion of which he/she has given notice, or
- 12.6.2 with the further consent of his Secunder alter a motion which he/she has moved, if (in either case) the alteration is one which could be made as an amendment thereto.

12.7 Withdrawal

A motion or amendment may be withdrawn by the mover with the consent of his/her Secunder and of the Council (without debate), and no Member may speak upon it after the mover has asked permission for its withdrawal, unless such permission shall have been refused by the Chairman.

12.8 Closure Motions

A Member may move without comment at the conclusion of a speech of another Member, "That the Council/Committee proceed to the next business", "That the question should now be put", "That the debate should now be adjourned", or "That the Council/Committee should now adjourn", on the seconding of which the Chairman shall proceed as follows:

- 12.8.1 on a motion to proceed to next business: unless in his opinion the matter before the meeting has been insufficiently discussed, he/she shall first give the mover of the original motion a right of reply, and then put to the vote the motion to proceed to the next business;

12.8.2 on a motion that the question should now be put: unless in his opinion the matter before the meeting has been insufficiently discussed, he/she shall first put to the vote the motion that the question be now put, and if it is passed then give the mover of the original motion his/her right of reply under paragraph 12.9 of this Council Procedure Rule before putting his motion to the vote;

12.8.3 on a motion to adjourn the debate or the meeting: if in his/her opinion the matter before the meeting has not been sufficiently discussed and cannot reasonably be sufficiently discussed on that occasion he/she shall put the adjournment motion to the vote without giving the mover of the original motion his right of reply on that occasion.

12.9 Right to Reply

The mover of a motion (but not an amendment) has a right to reply at the close of the debate on the motion, immediately before it is put to the vote, but such debate must be relevant to the motion. If an amendment is moved, the mover of the original motion also has a right of reply at the close of the debate on the amendment, but may not otherwise speak on the amendment. The mover of the amendment shall have no right of reply to the debate on his/her amendment.

12.10 Motions which may be moved during Debate.

When a motion is under debate no other motion shall be moved except the following:

12.10.1 to amend the motion (with the exception of amendments on the Council's Budget which should be provided in writing to the Chief Executive at least 24 hours prior to the meeting);

12.10.2 to adjourn the meeting;

12.10.3 to adjourn the debate;

12.10.4 to proceed to the next business;

12.10.5 that the question should now be put;

12.10.6 that a Member should not be further heard;

12.10.7 by the Chairman under these Council's Procedure Rules that a Member should leave the meeting;

12.10.8 a motion under Section 100(A) of the Local Government Act 1972 (as amended) to exclude the public;

12.10.9 that leave be given to withdraw a motion or amendment.

**13. QUESTIONS BY MEMBERS**

13.1 A Member of the Council may ask the Chairman of a committee any question upon any item in the minutes of a committee if those minutes are before the Council either for receipt or adoption.

13.2 A Member of the Council may also put a question before the Council either:

13.2.1 by giving the question in writing to the Chief Executive not less than 24 hours before the Council meeting or

13.2.2 with the prior permission of the Chairman at the meeting itself. (In this case Members should ensure that copies of the question are available for distribution at the meeting).

Provided always that such questions may be rejected by the Chief Executive or Chairman if they are matters for which the authority has no responsibility or which does not affect the District; is substantially the same as a question which has been put to Council in the past 12 months; or requires the disclosure of confidential or exempt information.

- 13.3 Every question shall be put and answered without discussion but the person to whom a question has been put may decline to answer.
- 13.4 An answer to a question asked as aforesaid may take the form of:
- 13.4.1 a direct or oral answer; or
  - 13.4.2 where the desired information is contained in a publication of or document issued by the Council, a reference to that publication; or
  - 13.4.3 where the reply to the question cannot conveniently be given orally, a written answer circulated to all Members of the Council within seven days after the date of the meeting.

#### **14. MINUTES**

No discussion will take place upon the minutes of Council, its Committees and other Member bodies, except upon their accuracy, and any questions of their accuracy shall be raised by motion. If no such question is raised, or if it is raised then as soon as it has been disposed of, the Chairman will sign the minutes.

Any Member at a meeting of the Council or of a Committee, may request that a minute be taken of what either they or any other Member has said in that meeting. The minute will then be attributed to the Member making the comment as will all other comments made by Members, which are referred to in the minutes.

The text of all amendments, which are proposed and seconded, will be minuted in full.

#### **15. ONE MEMBER AT A TIME**

A Member when speaking should stand (unless the Chairman agrees they may remain seated) and address the Chairman. If two or more Members rise, the Chairman shall call on one to speak; the other or others must then sit. While a Member is speaking the other Members must remain seated, unless rising to a point of order or in personal explanation.

#### **16. SPEECHES**

- 16.1 Contents and Duration of Speeches  
A speech should relate to the question under discussion or to a point of order or of clarification. No speech may be longer than five minutes, except by consent of the Chairman.
- 16.2 When a Member may Speak Again  
A Member who has spoken on any motion may not speak again whilst it is the subject of debate, except:
- 16.2.1 to speak once on an amendment moved by another Member;

- 16.2.2 if the motion has been amended since he/she last spoke, to move a further amendment;
- 16.2.3 if his/her first speech was on an amendment moved by another Member (whether or not carried), to speak on the main issue;
- 16.2.4 in exercise of a right of reply given by these Council Procedure Rules;
- 16.2.5 on a point of order;
- 16.2.6 by way of personal explanation;
- 16.2.7 otherwise by consent of the Chairman (subject to any proposal to move to next business which would take precedence).

## **17. POINTS OF ORDER**

- 17.1 A Member may rise on a point of order or of clarification, and is then entitled to be heard at that point. A point of order may relate only to an alleged breach of these Council Procedure Rules or statutory provisions and the Members must specify both the Council Procedure Rule or statutory provision and the way in which he/she considers it has been broken. A point of clarification must be confined to some material part of a previous speech by him/her which may appear to have been misunderstood in the present debate.
- 17.2 The ruling of the Chairman on a point of order or point of clarification is final.

## **18. RESPECT FOR CHAIR**

Whenever the Chairman requires it during a debate any Member then standing and/or speaking must resume his seat and cease speaking.

## **19. ATTENDANCE AND CONDUCT AT MEETINGS**

- 19.1 A Member of the Council is permitted to attend a meeting of any Committee, Panel or Working Party of which he/she is not a Member (subject to the rules relating to declarations of interest). A Member attending a meeting of which he/she is not a standing Member shall speak once only on any item but may speak again at the discretion of the Chairman (subject to any proposal to move to next business which would take precedence).
- 19.2 A Member of the Council who has moved a motion which has been referred to any Committee or other Member body, shall have notice of the meeting of the Committee or other Member body at which it is proposed to consider the motion. He/she shall have the right to attend that meeting and, if he attends, he shall have an opportunity of speaking to the motion and exercising a right of reply.
- 19.3 Members' Conduct
  - 19.3.1 If at a Council meeting the Chairman informs the Council of his/her opinion that a Member is misconducting himself/herself e.g.
    - by persistently disregarding the ruling of the Chair;
    - by behaving irregularly, improperly or offensively;
    - by wilfully obstructing the business of the Council;
    - because of the irrelevance or repetitious content or nature of his/her speeches;

the Chairman or any other Member may move "That the Member named be not further heard" and that motion if seconded shall be put and determined without discussion.

19.3.2 If the Member named continues his/her misconduct after a motion under the foregoing paragraph has been carried the Chairman shall:

EITHER move "That the Member named do leave the meeting" (in which case the motion shall be put and determined without seconding or discussion);

OR adjourn the meeting of the Council for such period as he/she in his/her discretion shall consider expedient.

19.3.3 In the event of general disturbance which in the opinion of the Chairman renders the due and orderly dispatch of business impossible, the Chairman in addition to any other power vested in him/her may, without question put, adjourn the meeting of the Council for such period as he/she in his discretion shall consider expedient.

[Note: A procedure for impolite/unruly/disruptive behaviour by Members at a meeting has been produced for Council/Committee Chairman in accordance with this Procedure Rule]

19.3.4 If a Member attends a Meeting, where any business of the meeting relates to or is likely to affect that Member's Disclosable Pecuniary Interest as described at paragraph 7 (and Appendix A) of the Members Code of Conduct, then the Member:

- (i) must not participate in any discussion on that item of business;
- (ii) must not vote on that item of business;
- (iii) must retire from the Meeting, until the discussion and vote on that item of business has taken place.

19.3.5 If a Member attends a Meeting, where any business of the meeting relates to or is likely to affect that Member's Prejudicial Interest as described at paragraph 13 of the Members Code of Conduct, then the Member:

- (i) must not participate in any discussion on that item of business;
- (ii) must not vote on that item of business;
- (iii) must retire from the Meeting, until the discussion and vote on that item of business has taken place **UNLESS** the Member is exercising a Speaking Right as described in paragraph 1.5 of the Member Code of Conduct. Such a Speaking Right shall be exercised in accordance with paragraph 13 of the Member Code of Conduct and once exercised the Member must retire from the Meeting until the discussion and vote on that item of business has taken place.

19.3.6 In the event that the Member with the Interest described in paragraphs 7 and 13 of the Member Code of Conduct, does not abide by Rules 19.3.4 and 19.3.5, the Chairman shall follow the procedure under Rule 19.3.2.

#### 19.4 Disturbance by Members of the Public

If a member of the public interrupts the proceedings at any Council meeting the Chairman shall warn him. If he/she continues the interruption the Chairman shall order his/her removal from the meeting. In case of general disturbance in any part of the room where a meeting open to the public is held the Chairman shall order that part to be cleared.

[Note: A procedure following disruption to a meeting has been produced for Council/Committee Chairmen in accordance with this procedure rule].

#### 19.5 Photography, Audio/Visual recording of Meetings and Blogging/Tweeting

Photography, filming, audio recording of meetings and use of social media such as blogging/tweeting during a meeting will be permitted provided that it is not disruptive and does not detract from the proper conduct of the meeting.

### 20. RESCISSION OF PRECEDING RESOLUTION

No motion to rescind any resolution passed within the preceding six months, and no motion or amendment to the same effect as one which has been rejected within the preceding six months, shall be proposed unless notice is given in writing, signed by at least five Members of the Council and delivered to the Chief Executive eight clear working days (i.e. excluding Saturdays, Sundays and Bank Holidays) before the meeting at which it is to be considered. When any such motion or amendment has been dealt with by the Council, it shall not be open to any Member to propose a similar motion within a further period of six months.

However, this Council Procedure Rule does not apply to motions moved in pursuance of consideration of a recommendation of a committee, or as a result of legislative change.

### 21. SUSPENSION AND AMENDMENT OF COUNCIL PROCEDURE RULES

#### 21.1 Suspension

All of these Council Rules of Procedure except Rule 9.1.4 and this Rule 21.1 may be suspended by motion with notice or without notice if requested by at least two thirds of Councillors present and voting. Suspension can only be for the duration of the relevant item at the meeting.

#### 21.2 Amendment

Any motion to add to, vary or revoke these Council Procedure Rules will, when proposed and seconded, stand adjourned without discussion to the next ordinary meeting of the Council, if an item to make such an amendment has not appeared on the summons for the meeting.

### 22. RECORD OF ATTENDANCE

The Chief Executive as proper officer shall record the attendance of all Members present during the whole or part of every meeting of the Council or its committees, etc but the Chairman of any such meeting may, exceptionally, require all such Members

to sign their names on attendance sheets before the conclusion of any meeting to assist with the record of attendance.

The timing of any Members late arrival or early departure from meetings will be recorded.

**23. EXCLUSION OF THE PRESS AND PUBLIC**

Members of the public and/or press may only be excluded either in accordance with the Access to Information rules in this constitution or Council Procedure Rule 19.4 (Disturbance by Members of the Public).

**24. APPOINTMENT OF COMMITTEES, ETC OF SUBSTITUTE AND CO-OPTED MEMBERS OF COMMITTEES AND SUB-COMMITTEES**

24.1 Appointment of Committees, Sub-Committee, Panels

24.1.1 Prior to Annual Council, the leader of each political group shall notify the Chief Executive of the names of the Members of each group to be appointed to each Committee, Sub-Committee and Panel in accordance with the number of seats available to them on each such body.

24.1.2 Election of Chairman and Vice-Chairman of Committees, Sub-Committees, Panels and Working Parties

Every Committee, Sub-Committee, Panel and Working Party shall, at its first meeting after the Annual Meeting of the Council before proceeding to any other business elect a Chairman for the ensuing Municipal year, and may at any time appoint a Vice-Chairman. In the absence from a meeting of the Chairman (and Vice-Chairman if elected) a Chairman for that meeting may be appointed.

24.1.3 Special Meetings

OPTION 1

The Chairman of the Committee, Sub-Committee, Panel or Working Party or the Chairman of the Council may call a special meeting of the Committee, Sub-Committee, Panel or Working Party at any time. A special meeting shall also be called on the requisition of half of the whole number of the Committee, Sub-Committee, Panel or Working Party, delivered in writing to the Chief Executive. The summons to the special meeting shall set out the business to be considered thereat, and no business other than that set out in the summons shall be considered at that meeting.

OPTION 2

The Chairman of the Committee, Sub-Committee, Panel or Working Party or the Chairman of the Council may call a special meeting of the Committee, Sub-Committee, Panel or Working Party at any time. A special meeting shall also be called on the requisition of half of the whole number of the Committee, Sub-Committee, Panel or Working Party, delivered in writing to the Chief Executive, but in no case shall fewer than ~~four~~<sup>three</sup> Members requisition a special meeting. The summons to the special meeting shall set out the business to be considered thereat, and no business other than that set out in the summons shall be considered at that meeting.

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#### 24.1.4 Working Parties

Every Committee, Sub-Committee and Panel appointed by the Council may appoint Working Parties for purposes to be specified by the Committee or Panel.

### 24.2 **Substitutions**

#### 24.2.1 Allocation

As well as allocating seats on Committees and Sub-Committees, the Council will allocate Members in the same manner as substitute Members. The onus for nominating the respective substitute Member for each Member body rests with the appropriate political group. Nominations are to be made by the leader of each political group.

#### 24.2.2 Number

For each relevant Committee or Sub-Committee, the Council (or Committee in the case of a Sub-Committee) will appoint up to three substitutes in respect of each group, either or both of whom may substitute for any Committee Member(s) in their group. All exceptions to this are specified in the Committee or Sub-Committee Terms of Reference.

#### 24.2.3 Powers and Duties

Substitute Members will have all the powers and duties of any ordinary Members of the Committee but will not be able to exercise any special powers or duties exercisable by the person they are substituting.

#### 24.2.4 Substitution

Substitute Members may attend meetings in that capacity only:

- 24.2.4.1 to take the place of an absent ordinary Member for whom they are the designated substitute;
- 24.2.4.2 where the ordinary Member will be absent for the whole of the meeting;
- 24.2.4.3 (in the case of Planning and Licensing Committee), where the substitute Member has attended training (and not until or unless such induction training has been undertaken, and thereafter any annual training arranged for Members);
- 24.2.4.4 (in the case of Planning and Licensing Committee), where the usual Member of the Committee, or in his/her absence, the Group Leaders (or his/her Deputy) have given a minimum of one clear days notice to the relevant Democratic Services Officer that they are unable to attend, and the name of substitute Member attending; and

Provided the above conditions have been satisfied, the substitute Member shall retain the right to vote for the duration of the meeting and may not be replaced by the Member for whom he or she is substituting.

However, if the Member who is to be replaced ("the original Member") is present at the start of the meeting then the substitution shall not have effect for that meeting - so that the substitute may not speak and/or vote in that capacity at that meeting and may only otherwise speak with the prior consent of the Chairman. This will not apply where Planning Committee substitute Members have been nominated to attend.

Where the original Member is not present at the start of the meeting at which the substitute is present, but arrives later, the original Member may not speak and/or vote at that meeting as a member of that Member Body and may only otherwise speak with the prior consent of the Chairman.

#### **24.3 Co-option of Non-Councillors onto the Council's Working Parties & Finance & Assets (Ethical Governance) Sub-Committee**

24.3.1 No more than two co-optees may be appointed to any individual Working Party.

24.3.2 Co-optees to Finance & Assets (Ethical Governance) Sub-Committee will be appointed in accordance with the Terms of Reference for the Sub-Committee.

24.3.3 The duration of the co-optees appointment should be a matter for the Working Party to make recommendations to Council in each instance, with the proviso that co-options would end at the end of each municipal year (requiring the co-optees to be formally re-appointed or new ones to be appointed at the first meeting of the Working Party) and that the Working Party should have the power to recommend to Council the termination of any co-option at any time.

24.3.4 Co-optees on Working Parties have voting rights.

24.3.5 Co-optees do not count for the purposes of the quorum.

24.3.6 It is a specific term of the appointment of co-optees that they do not make statements to the press on the business of or purporting to be on behalf of the Working Party.

24.3.7 There are no rights of substitution for co-opted Members.

#### **25. REFERRAL-UP**

25.1 If a Policy Committee/ Sub-Committee<sup>2</sup> are unwilling or unable to make a decision<sup>3</sup> on any matter within its Terms of Reference, the Committee/ Sub-Committee may resolve to refer the matter to Full Council for final determination.

25.2 The Council referral-up rule above shall not apply where the decision being taken by the Policy Committee/ Sub-Committee is urgent. Items leading to decisions likely to

<sup>2</sup> This does not include regulatory matters, such as Licensing, Planning or Councillor conduct, unless in respect of Councillor conduct, a request is made to Full Council to censure a Councillor.

<sup>3</sup> This does not include urgent decisions, which should be categorised on the Committee agenda and/or Decision Notice as such. A decision will be urgent if any delay is likely to cause serious prejudice to the Council or the public's interests. See Rule 26.6.

be categorised as urgent should be identified as such on the published agenda or, where not so practicable, at the meeting itself and on the Decision Notice. Any Member wishing to challenge that categorisation must do so prior to the consideration of the item by the Committee/ Sub-Committee. A decision will be urgent if any delay would seriously prejudice the Council's or the public's interests. The record of the decision and notice by which it is made public shall state whether in the opinion of the decision-making person or body, the decision is an urgent one, and therefore not subject to referral-up. The Leader of the Council (if any) and Chairman of the Committee/ Sub-Committee must agree to it being treated as a matter of urgency. In the absence of the Chairman, the Vice-Chairman's consent shall be required. In the absence of both, the Head of Paid Service or his/her nominee's consent shall be required.

## 26. COUNCIL CALL-IN

26.1 Member Call-in should only be used in exceptional circumstances. The procedure for call-in will be as follows:

26.1 When a decision is made by a Policy Committee/ Sub-Committee, the decision shall be published, including where possible by electronic means, and shall be available at the main offices of the Council as soon as practicable after being made and within 3 working days of the meeting. All Councillors will be sent copies of the records of all such decisions within the same timescale, by the person responsible for publishing the decision.

26.2 That decision notice will bear the date on which it is published and will specify that the decision will come into force, and may then be implemented, on the 7<sup>th</sup> working day after the publication, **unless** any 3 Members call it in to Full Council within 5 working days of the meeting, excluding the day of the decision. Recommendations of the Policy Committee to other bodies (or to Council), or urgent decisions (see Rule 26.6) cannot be called-in. Receipt of the call-in suspends implementation of the decision, until confirmation of rejection of the call in/ or where accepted, final determination by Full Council (where appropriate).

26.3 A call-in of a decision should be made in writing to the Chief Executive on the specified call-in form. Where a decision is called-in during that period, the Chief Executive shall notify the Chairman of the relevant Committee or Sub-Committee that a call-in has been received (and any relevant officers). Copies of the call-in will be given to the Leaders of the Council's political groups as soon as possible.

26.4 Formal written acceptance or refusal of the call-in will be given to the Members calling in the decision within 5 working days of its receipt by the Chief Executive or in his absence Democratic Services Manager. Any refusal must include the reasons for that refusal.

26.5 If a Call-in is accepted, it will then be considered by the next programmed meeting of Full Council or by a special meeting convened in accordance with this Constitution. No action on the decision will be taken until Full Council has considered the decision and shall make a final decision (and in doing so may resolve to uphold, amend or reject the previous decision). This decision shall then take effect from the date when made by Full Council.

26.6 **Council call-in and urgency:** The Council call-in procedure rules above shall not apply where the decision being taken by the Policy Committee/ Sub-Committee is urgent. The process for challenging this categorisation and designation of a decision as urgent, as set out under Rule 25.2 above shall apply.

## **27. APPLICATION TO COMMITTEES AND OTHER MEMBER BODIES**

- 27.1 All the Council Procedure Rules apply to meetings of full Council.
- 27.2 All the Council Procedure Rules with the exception of Rules 1, 2, 4, 10, 11, 13, 15, and 21.2 apply to meetings of the Council's Committees and other Member Bodies.
- 27.3 Committees may appoint and dissolve their Sub Committees, Working Parties and determine their Sub Committees terms of reference and appointment.
- 27.4 The Chief Executive (Lead Officer in the case of the Shareholder Committee) may call or those listed below may request the Chief Executive (Lead Officer in the case of the Shareholder Committee) to call Committee, Sub-Committee or Working Party meetings in addition to previously scheduled meetings, and in the case of the Shareholder Committee request the attendance of the Chairman and Managing Director of the LATC:
- 27.4.1 the member body itself by resolution;
  - 27.4.2 the Chairman of the member body;
  - 27.4.3 the Monitoring Officer or Lead Officer(s) for the member body; and
  - 27.4.4 any three Members of Council, at least two of whom must be on the member body, if they have signed a requisition presented to the Chairman of the member body who has refused to call a meeting or has failed to call a meeting within eight working days of presentation of the requisition.

## **28. MEMBER BODY MOTIONS WITHOUT NOTICE**

Amongst others the following motions and amendments may be moved without notice at a meeting of a member body:

- 28.1 Appointment of a chairman of that meeting.
- 28.2 Motions relating to the accuracy of the minutes of the previous meeting.
- 28.3 That an item of business listed in the summary be brought forward.
- 28.4 Reference back of a recommendation to a sub-committee or working party, etc.
- 28.5 Appointment of members to a Sub-Committee or Working Party, occasioned by an item mentioned in the summons to the meeting.
- 28.6 Receipt and adoption of reports and recommendations of Sub-Committees etc.
- 28.7 That leave be given to withdraw a motion.
- 28.8 Extending the time limit of speeches.

- 28.9 Amendment to motions.
- 28.10 That the member body proceeds to the next business.
- 28.11 That the question be now put.
- 28.12 That the debate should now be adjourned.
- 28.13 That the member body should now adjourn.
- 28.14 Suspending the constitution or any part of it (in accordance with the Council Procedure Rules).
- 28.15 Motion under S100A of the Local Government Act 1972 (as amended) to exclude the public (including the press).
- 28.16 That a Member named under these Council Procedure Rules should be not further heard or should leave the meeting.
- 28.17 Giving the consent of the Council where such consent is required by these Council Procedure Rules.
- 28.18 Voting on appointments in accordance with these Council Procedure Rules.
- 28.19 Recorded votes in accordance with these Council Procedure Rules.

**29. LOCATION OF MEMBER BODY MEETINGS**

- 29.1 These will generally be at the Council Offices at The Grange but in consultation with the Chairman of the relevant body, the lead officer for that body may arrange a particular meeting at an alternative venue if appropriate. The final decision on location will be taken when the agenda for that meeting is finalised.



**CAMBRIDGESHIRE  
& PETERBOROUGH**  
COMBINED AUTHORITY

Cambridgeshire & Peterborough Combined Authority  
Reports from Constituent Council Representatives on the Combined  
Authority

Audit and Governance Committee  
17th December 2021  
Councillor David Brown

Overview and Scrutiny Committee  
25 October, 22 November, and 13th December 2021  
Councillor Lorna Dupré  
Councillor Alan Sharp

Combined Authority Board  
27 October and 24 November 2021  
Councillor Anna Bailey

The above meetings have taken place in October, November and December 2021.

**Audit and Governance Committee – 17th December 2021**

The Audit and Governance Committee met on 17th December 2021; the decision summary is attached as Appendix 1.

**Overview and Scrutiny Committee – 25th October, 22nd November and 13th December 2021**

The Overview and Scrutiny Committee met on 25th October, 22nd November and 13th December 2021; the decision summaries are attached as Appendices 2, 3 and 4.

**Combined Authority Board – 27th October and 24th November 2021**

The Combined Authority Board met on 27th October and 24th November 2021; the decision summaries are attached as Appendices 5 and 6.

The agendas and minutes of the meetings are on the Combined Authority's website  
– Link in the appendices.

## Audit and Governance Committee Decision Summary

Meeting: 17 December 2021

Agenda/Minutes: [Audit and Governance Committee – 17th December 2021](#)

Chair: John Pye (Chair and Independent Person)

Summary of decisions taken at this meeting

Item	Topic	Decision <i>[None of the decisions below are key decisions]</i>
1	<b>Apologies and Declarations of Interests</b>	<p>Apologies were received from Cllr Shaz Nawaz, Peterborough County Council who was substituted by Cllr Mohammed Haseeb.</p> <p>Apologies were also received from Cllr's Graham Bull and Mac Maguire, Huntingdonshire District Council; and Cllr Tony Mason, South Cambridgeshire District Council whose substitute Cllr Peter Fane joined the meeting remotely.</p> <p>No disclosable interests were declared.</p>
2	<b>Chair's Announcements</b>	<p>The Chair made the following announcements:</p> <ol style="list-style-type: none"> <li>1. Given this meeting was rearranged from the scheduled date on 26 November due to issues of quoracy the Chair encouraged members to have a dialogue with their named substitutes to avoid the risk of future meetings being inquorate and having to be abandoned.</li> <li>2. The Chair informed the Committee of the latest public health guidelines encouraging business at meetings to be reduced and to only consider items which require a timely decision. To that end the Chair proposed to reduce the agenda for the meeting and suggested deferring items 4, 6, 10, 12 and 13 on the agenda to the next meeting of the Committee. This was agreed.</li> </ol>

Item	Topic	Decision <i>[None of the decisions below are key decisions]</i>
		<p>3. The development session on the role of the Audit &amp; Governance Committee and projects would be rescheduled to 2022.</p> <p>4. The Chair informed the Committee that an Independent Person for the Authority's complaints procedure has been appointed and the decisions had been ratified by the Combined Authority Board. David Pearl had been appointed with the reserve Independent Person being Gillian Holmes.</p>
3	<b>Minutes of the Previous Meeting and Action Notes</b>	<p>The minutes from the meeting held on 24 September 2021 were agreed as a correct record.</p> <p>The Actions from the previous meeting were noted.</p>
4	<b>Combined Authority Update</b>	<p>This item was deferred.</p>
5	<b>Corporate Risk Register</b>	<p>The Committee received the report from the Monitoring Officer The Committee questioned whether risks 21 and 32, related to housing, should be increased and have the same scores, which is currently not the case. This Committee's concerns would be raised with the Director of Housing.</p> <p>The Committee noted the report.</p>
6	<b>Internal Audit</b>	<p>This item was deferred.</p>
7	<b>External Audit</b>	<p>The Committee received the report from the Deputy Finance Officer and Mark Hodgson, from Ernst &amp; Young.</p> <p>The Committee AGREED:</p> <p>a) The management letter of representation for the external audit opinion.</p>

8	<b>Annual Accounts and Annual Governance Statement</b>	<p>The Committee received the report from the Deputy Chief Finance Officer.</p> <p>The Committee AGREED:</p> <ul style="list-style-type: none"> <li>a) to approve the annual accounts;</li> <li>b) to approve the Annual Governance Statement.</li> </ul>
9	<b>Re-tendering Process</b>	<p>The Committee were requested to consider a recommendation to opt into the national scheme for auditor appointments for the period 2023/24 to 2027/28. The Combined Authority Board would be considering this at their January 2022 meeting.</p> <p>The Chair asked the Committee if they were content with the recommendation to opt into the national scheme and make a recommendation to the Combined Authority Board on that basis. The Chair moved to support the recommendation, and this was seconded by Cllr Brown.</p> <p>The Committee AGREED:</p> <ul style="list-style-type: none"> <li>a) to support opting into the national scheme for auditor appointments for the period 2023/24 to 2027/28;</li> <li>b) to make a recommendation to the Combined Authority Board on this basis.</li> </ul>
10	<b>Climate Change</b>	This item was deferred.
11	<b>Combined Authority Constitution Review</b>	<p>The Committee received the report which asked them to review the amendments to the Combined Authority Constitution following the annual review.</p> <p>The Committee AGREED to:</p> <ul style="list-style-type: none"> <li>a) Approve the revisions following the annual review of the Constitution, subject to the amendment suggested in 11.3 above;</li> <li>b) Recommend the revisions to the Combined Authority Board.</li> </ul>
12	<b>Treasury Management Strategy</b>	This item was deferred.

<b>13</b>	<b>Trading Companies</b>	This item was deferred.
<b>14</b>	<b>Work Programme</b>	The work programme was noted. With regard to the deferred item on Trading Companies, there was a request for further information and background on the Combined Authority Board oversight of the subsidiaries as well as a list of the Board members for each Company.
<b>15</b>	<b>Date of next meeting</b>	The Committee would next meet on Friday, 28 January 2022 at 10:00 at Sand Martin House, Peterborough. This was a change of venue from East Cambridgeshire District Council, Ely.

## Overview and Scrutiny Committee Decision Summary

Meeting: 25 October 2021

Agenda/Minutes: [Overview and Scrutiny Committee – 25 October 2021](#)

Chair: Cllr Lorna Dupré

Summary of decisions taken at this meeting

Item	Topic	Decision [ <i>None of the decisions below are key decisions</i> ]
1.	<b>Apologies</b>	Apologies were received from Cllr Rippeth, substituted by Cllr Fane. Apologies were received from Cllr Coles, Cllr Dew and Cllr Goldsack.
2.	<b>Declarations of Interest</b>	There were no declarations of interest.
3.	<b>Minutes of the Previous Meeting</b>	The minutes of the last meeting were agreed as an accurate record.
4.	<b>Public Questions</b>	There were no public questions received.
5.	<b>Transport Update</b>	The Mayor in his role as the Chair for Transport and Infrastructure Committee and the Transport Manager, provided the Overview and Scrutiny Committee with an update on the work being carried out by officers across the transport schemes requested by the committee.
6.	<b>Confirmation of Lead Member Appointments</b>	The Committee received the report which requested they confirm the appointment of the Lead Members for Housing, Skills and the Transport &

Item	Topic	Decision <i>[None of the decisions below are key decisions]</i>
		<p>Infrastructure Committees, the Business Board and Climate Change &amp; Environment.</p> <p>The Committee agreed to;</p> <ul style="list-style-type: none"> <li>a) Confirm the appointments of members to the roles of Lead Members for the Housing, Skills and the Transport &amp; Infrastructure Committees, the Business Board and Climate Change &amp; Environment</li> <li>b) b) Appoint Cllr Hay as the Rapporteur for the Bus Reform Review and Cllr Davey as the Rapporteur for the CAM.</li> </ul>
7.	<b>Overview and Scrutiny Arrangements Update</b>	<p>The Committee received the report, which provided the Overview and Scrutiny Committee with an update on the work being carried out by officers in relation to the actions recommended by the Centre for Governance and Scrutiny.</p> <p>The Committee agreed to;</p> <ul style="list-style-type: none"> <li>a) Note the Action Log from officers.</li> <li>b) Approve the Information Sharing Protocol.</li> <li>c) c) Note the feedback from the Combined Authority Board meeting.</li> </ul>
8.	<b>O&amp;S Trading Companies – Terms of Reference</b>	<p>The Committee received the draft terms of reference report in relation to the Committee’s role in scrutinising the Combined Authority’s trading companies, and highlighted the main points raised and issues identified in the report.</p> <p>The Committee agreed to;</p>

Item	Topic	Decision [ <i>None of the decisions below are key decisions</i> ]
		<p>a) Approve the terms of reference of the Committee in relation to the Combined Authority trading companies subject to the removal of part A as they found this sat within A&amp;G Committee's terms of reference, and that part C be amended to state 'Review any matter within the Committee's power, pertaining to the Combined Authority's trading companies and any future activities of those trading companies.'</p>
9.	<b>Topics for Mayor's Question Time</b>	<p>The Committee received the report, which requested the Overview and Scrutiny Committee discuss and agree the topic of questions for the Mayor's Question Time scheduled for the 22nd November 2021.</p> <p>The Committee agreed the topics would be affordable housing and the Mayor's priorities.</p>
10.	<b>Combined Authority Forward Plan</b>	<p>The Committee received and noted the Forward Plan.</p>
11.	<b>Overview and Scrutiny Work Programme</b>	<p>The Committee received the report which requested the Committee discuss and make suggestions on the suggested work programme and review any scoping reviews that have been received by the Scrutiny Officer.</p> <p>The Committee agreed to;</p> <p>a) approve the work programme.</p> <p>b) note the additional date in March to accommodate the second Mayor's Question Time.</p>

Item	Topic	Decision <i>[None of the decisions below are key decisions]</i>
		c) c) approved the scoping report for the Accommodation Strategy to be taken forward.
12.	<b>Combined Authority Board Agenda</b>	The Committee agreed that no questions should be asked at the CA Board meeting.
13.	<b>Date and Time of Next Meeting</b>	The next meeting of the Committee would be on Monday, 22 November 2021 11:00am at Sand Martin House, Peterborough.

## Overview and Scrutiny Committee Decision Summary

Meeting: 22 November 2021

Agenda/Minutes: [Overview and Scrutiny Committee – 22 November 2021](#)

Chair: Cllr Lorna Dupré

Summary of decisions taken at this meeting

Item	Topic	Decision <i>[None of the decisions below are key decisions]</i>
1.	<b>Apologies</b>	Apologies received from Cllr M. Davey by Cllr S. Smith
2.	<b>Declarations of Interest</b>	There were no declarations of interest.
3.	<b>Minutes of the Previous Meeting</b>	The minutes of the last meeting were agreed as an accurate record.
4.	<b>Mayor's Opening Statement</b>	There were no public questions received.
5.	<b>Questions to the Mayor from Members of the Committee</b>	<p>The Chair referred the Committee to the pre-submitted questions for which the written responses had now been published on the website, which are available to view at <a href="#">Mayor's Questions and Responses</a>.</p> <p>Supplementary questions were asked of the Mayor and he responded accordingly.</p>
6.	<b>Closing Statement from the Mayor and Chair</b>	Following the Mayor's contribution, the Chair opened discussion around areas that the Committee might wish for the work programme either in the short-, medium-, or longer-term or for future briefings. The following were raised as areas the Committee could consider moving forward:

Item	Topic	Decision <i>[None of the decisions below are key decisions]</i>
		<ul style="list-style-type: none"> <li>• Domestic/commercial waste: delivering similar processes across all constituent authorities</li> <li>• Growth Ambition Statement: when the indicators are revealed the Committee to consider these</li> <li>• Affordable and Social Housing: the issue of developers not being accommodating to build such housing and developers not meeting their affordable housing targets; and the issue of funding from central government and the Mayor's ongoing discussions with the DLUHC</li> <li>• Retrofitting and insulation: the ability of the Mayor to push his authority downwards to constituent authorities to spend money on this; and support and advice for residents across all tenures</li> <li>• Flooding and water management: what influence can the Mayor bring to these with constituent authorities?</li> <li>• The Mayoral philosophy: reflecting on how the Committee understands the developing metrics and how these are applied to skills, transport, and housing</li> </ul>
7.	<b>Overview &amp; Scrutiny Committee Work Programme</b>	The two scoping documents presented to the meeting were noted. Cllr Atkins stated he would be presenting a complementary timeline to the Committee on the Climate Change scoping document.

Item	Topic	Decision <i>[None of the decisions below are key decisions]</i>
		<p>The Chair stated she would bring a report on the Devolution Deal to the next meeting of the Committee.</p> <p>Cllr Goldsack as rapporteur for the work on the Combined Authority's Accommodation Strategy agreed to prepare an update for the Committee's next meeting.</p>
8.	<b>Date and Time of Next Meeting</b>	<p>The next meeting of the Committee would be on Monday, 13 December 2021 at 11:00 at New Shire Hall, Alconbury.</p> <p>There was some discussion over the use of New Shire Hall as a future venue for Committee meetings as concern was raised to its accessibility for those travelling by public transport or active travel. It was agreed that the December meeting would remain at the venue but the scheduled Committee meetings in February and April be moved to alternative venues.</p>

## Overview and Scrutiny Committee Decision Summary

Meeting: 13 December 2021

Agenda/Minutes: [Overview and Scrutiny Committee – 13 December 2021](#)

Chair: Cllr Lorna Dupré

Summary of decisions taken at this meeting

Item	Topic	Decision <i>[None of the decisions below are key decisions]</i>
1.	<b>Apologies</b>	Cllr M Goldsack, Cambridgeshire County Council, substituted by Cllr S Count Cllr S Corney, Huntingdonshire District Council substituted by Cllr E Butler.
2.	<b>Declarations of Interest</b>	Cllr D Baigent declared an interest as a member of the Cambridgeshire Cycling Campaign.
3.	<b>Minutes of the Previous Meeting</b>	The minutes of the last meeting were agreed as an accurate record.
4.	<b>O&amp;S Arrangements Update</b>	The Committee received the report from the Interim Head of Governance who provided an update to the Committee on the Overview and Scrutiny Committee arrangements.  The Committee considered the Conflicts Protocol presented to them. Whilst there was some consensus on the need for such a protocol, there was agreement that, as presented, it should not be approved.  It was agreed that the comments of Members be taken into account and a revised protocol be presented in the new year. The action log was noted, and Members were content with progress.
5.	<b>Draft Sustainable Growth Ambition Statement and 2022/23 Draft</b>	The Committee received the report from the Chief Finance officer and Director for Delivery and Strategy.

Item	Topic	Decision <i>[None of the decisions below are key decisions]</i>
	<b>Budget and Medium-term Financial Plan (MTFP) 2022 to 2026</b>	<p>Following the comments of the Committee the Chair stated she would make representation to the Combined Authority Board on the lack of completeness on the budget as it goes out to public consultation.</p> <p>The Chief Finance Officer confirmed a formal note of the questions asked by the Committee and its comments would be part of the formal consultation process and that responses would be provided to the Committee at its meeting in January 2022.</p>
6.	<b>Devolution Deal</b>	<p>The Committee received the report from the Chair, Cllr Lorna Dupre. It was agreed to forward the report received by the Committee to the Combined Authority Board in its entirety to provide the Board with the opportunity to consider revisiting the Deal. It was agreed to frame a question on the Devolution Deal for the public Mayor's Question Time in March 2022.</p> <p>It was agreed to reconsider the Deal at the Committee on a six-monthly basis commencing in June 2022 so that the Committee might make recommendations to inform development.</p>
7.	<b>Accommodation Strategy</b>	<p>The Committee received the report from the rapporteur, Cllr Mark Goldsack in his absence.</p> <p>It was agreed to receive an update at the next meeting of the Committee with responses to these questions as well as receiving any additional information that will be, by then, known.</p>
8.	<b>Combined Authority Forward Plan</b>	<p>The Forward Plan was noted.</p> <p>As Lead Member for Skills Cllr Coles stated that any changes on who will be the lead officer for Skills in the new year will need to be reported to the Committee as soon as known.</p>
9.	<b>Work Programme</b>	<p>The Committee noted the work programme.</p>

Item	Topic	Decision <i>[None of the decisions below are key decisions]</i>
10.	Date and Time of Next Meeting	The next meeting of the Committee is on Monday, 24 January 2022 at 11:00 at Fenland Hall.

## Combined Authority Board Decision Summary

Meeting: 27 October 2021

Agenda/Minutes: [Combined Authority Board - 27 October 2021](#)

Chair: Mayor Dr Nik Johnson

Summary of decisions taken at this meeting

### Part 1 - Governance Items

#### 1.1 Announcements, Apologies for Absence and Declarations of Interest

**Apologies were received from Councillor Lewis Herbert, substituted by Councillor Martin Smart, and Councillor Chis Boden, substituted by Councillor Jan French.**

**There were no declarations of interest.**

#### 1.2 Minutes of the Combined Authority Board meeting on 29th September 2021

**The minutes of the meeting on 29 September 2021 were approved as an accurate record, subject to some factual corrections in relation to comments attributed to Councillor Bailey.**

#### 1.3 Petitions

No petitions were received.

## 1.4 Public Questions

**One public question was received. The question and written response (once published) can be viewed [here](#).**

## Part 2 – Combined Authority Decisions

### 2.1 Future Proposals for One CAM Ltd and Local Transport Plan Refresh

It was resolved to:

- a) Note progress on the Local Transport Plan (LTP) refresh;
- b) Provide feedback on the development of the Local Transport and Connectivity (LTCP) programme, outlining key areas to be addressed within the Soft Launch engagement, in relation to the overarching vision, aims and objectives as well as key challenges and opportunities;
- c) Note that the Transport and Infrastructure Committee has invited officers to review the relevance of the LTP CAM Sub-Strategy following a decision on the ONECAM SPV, and to report back to a future Transport and Infrastructure Committee;
- d) Permanently stop the development of the CAM programme and agree that One CAM Limited can permanently cease work; and
- e) Agree to a programme of initial public engagement for four weeks in November 2021, followed by a six-week consultation in January 2022 of the framework document, with the Final Plan delivered to Board March 2022 meeting.

In respect of One CAM LTD, to:

- a) Agree that the company be placed into dormancy, **followed by strike off from the register of companies**;
- b) Approve that the costs associated with the closure of One CAM Limited (as set out in this report) be met;
- c) Agree the remaining shareholders' funds repaid by One CAM Limited be returned to the Recycled Growth Fund as partial reimbursement for the Business Board's £995k investment in the project; and
- d) Agree to transfer funds from the Combined Authority's Capital Single Pot to the Recycled Growth Funds to reimburse any shortfall between the £995k invested by the Business Board and the shareholder's funds received by the Combined Authority from One CAM Limited.

## 2.2 Bus Service Reform

It was resolved to:

- a) Delegate authority to the Head of Transport, in consultation with the Chair of the Transport and Infrastructure Committee, the Monitoring Officer and the Chief Finance Officer, to submit the Authority's Bus Service Improvement Plan to the Department for Transport no later than 29th October 2021;
- b) Delegate authority to the Head of Transport, in consultation with the Chair of the Transport and Infrastructure Committee, the Monitoring Officer and the Chief Finance Officer, to progress at the earliest opportunity the designated BSIP activities should the funding from Department for Transport (DfT) be approved; and
- c) Approve public engagement on the Bus Reform proposals following completion of the independent audit of the Outline Business Case.

## 2.3 OxCam Arc Spatial Framework Position Statement

It was resolved to:

- a) Note the response to the government's consultation attached at Appendix 1;
- b) Note the issues raised by constituent authorities, parish councils and other respondents to the consultation in Cambridgeshire and Peterborough; and
- c) Mandate the Mayor, Lead Members and officers to engage proactively in discussions with government as it enters the next phase of developing its proposed spatial framework.

## 2.4 Strategic Water Issues

It was resolved to:

- a) Agree that the Combined Authority should send a senior representative to the Sponsor Group of the Future Fens Integrated Adaptation Initiative, and approve a financial contribution of £40,000 in 2021-22 from the Non-Strategic Spatial Framework budget line to support the initiative in developing a business case for investment in water management and climate change adaptation in the Fens;
- b) Agree that the Combined Authority should join the Water Resources East (WRE) Board and approve the expenditure of £7,500 in 2021-22 from the Non-Statutory Spatial Framework budget as a subscription to WRE membership; and
- c) Subject to recommendation (b) being approved, delegate authority to the Chief Executive to nominate a senior officer to represent the Combined Authority on the Water Resources East Board.

## 2.5 Net Zero Compliant Policies: Making an Immediate Difference

It was resolved to:

- a) **Endorse the proposed framework for an Action Plan as set out at Appendix 1, and ask the Climate Working Group to prepare by 28 February 2022, for subsequent consideration by the Board on 30 March 2022, a more ambitious, comprehensive and public friendly Action Plan setting out how the Combined Authority will take action to implement the recommendations of the Cambridgeshire and Peterborough Independent Commission on Climate, or if agreement cannot be reached among partners by that time, to report on the outstanding issues; and thereafter, ensure an updated Action Plan is brought to the Board before the end of March each year.**
- b) Note the setting up of the Climate Working Group to bring partners together to provide system-wide leadership in implementing the wider elements of the Commission's recommendations;
- c) Mandate officers to take forward actions with CPCA budget implications through the Medium-Term Financial Plan refresh process and in line with the Assurance Framework requirements for expenditure decisions;
- d) Mandate officers to review the Assurance Framework and project management guidance to ensure that future Board decisions at project gateways can take into account evidence of their climate impact; and
- e) Mandate officers to prepare a procurement policy for consideration by the Board that would set out criteria for applying climate change considerations to the procurement of goods, services, and to future funding agreements with delivery partners. This policy to include:
  - a. appropriate scoring criteria for climate change in tendered goods and services;
  - b. any minimum standards to be applied for suppliers;
  - c. an assessment of impacts on supply chain.

## 2.6 OxCam Arc Environment Principles

It was resolved to:

Endorse the OxCam Arc Environment Principles.

## Part 3 – Combined Authority Governance Reports

### 3.1 Annotated Forward Plan

It was resolved to:

**Approve the annotated Forward Plan.**

### 3.2 Appointment of Independent Persons

It was resolved to:

- a) Approve the appointment of David Pearl as the Independent Person for the Combined Authority for a four-year term; and
- b) Approve the appointment of Gillian Holmes as the reserve Independent Person for the Combined Authority for a four-year term.

### 3.2 Information Governance: Updated GDPR Policies

It was resolved to:

- a) Approve and adopt the new GDPR policies set out at Appendix 1 to 7; and
- b) Delegate authority to the Monitoring Officer to make consequential amendments to the GDPR policies as required.

#### **Notes:**

- a) Statements in **bold type** indicate additional resolutions made at the meeting.
- b) Five Members of the Overview and Scrutiny Committee may call-in a key decision of the Mayor, the Combined Authority Board or an Officer for scrutiny by notifying the Monitoring Officer.

For more information contact: Richenda Greenhill at [Richenda.Greenhill@cambridgeshire.gov.uk](mailto:Richenda.Greenhill@cambridgeshire.gov.uk) or on 01223 699171.

## Combined Authority Board Decision Summary

Meeting: 24 November 2021

Agenda/Minutes: [Combined Authority Board - 24 November 2021](#)

Chair: Mayor Dr Nik Johnson

Summary of decisions taken at this meeting

### Part 1 - Governance Items

#### 1.1 Announcements, Apologies for Absence and Declarations of Interest

**Apologies for absence were received from Darryl Preston, Police and Crime Commissioner (substituted by John Peach, Deputy Police and Crime Commissioner) and Councillor Edna Murphy, Chair of the Cambridgeshire and Peterborough Fire Authority.**

**There were no declarations of interest.**

#### 1.2 Minutes of the Combined Authority Board meeting on 27 October 2021

**The minutes of the meeting on 27 October 2021 were approved as an accurate record and signed by the Mayor.**

#### 1.3 Petitions

No petitions were received.

## 1.4 Public Questions

One public question was received. The question and written response (once published) can be viewed here - [Public Question and Written Response](#)

## Part 2 – Finance

### 2.1 Budget Monitor Report November 2021

It was resolved to:

- a) Note the financial position of the Combined Authority for the year to date.
- b) Approve the reinstatement of the £750k budget for Cambridge South Station.

### 2.2 Draft Sustainable Growth Ambition Statement and 2022-23 draft budget and medium-term financial plan 2022 to 2026

It was resolved to:

- a) Approve the Draft Sustainable Growth Ambition Statement for consultation.
- b) Approve the Draft Budget for 2022/23 and the Medium-Term Financial Plan 2022/23 to 2025/26 for consultation.
- c) Approve the timetable for consultation and those to be consulted.

## Part 3 – Combined Authority Decisions

### 3.1 Cambridgeshire and Peterborough Independent Commission on Climate Full Report

It was resolved to:

- a) Thank the Commissioners for their work in developing the climate recommendations.
- b) Support the Commission's call for more devolved funding to implement the recommendations.
- c) Agree the development of actions to implement the CPCA recommendations in Appendix 2, subject to appropriate funding and business case assessments.
- d) Request the Climate Working Group consider the additional recommendations for other stakeholders in Appendix 3 as part of its work on the action plan due in February 2022.
- e) Note the recommendation on the future of the Commission and invite officers to develop revised terms of reference with the Chair of the Commission.

### 3.2 Capability Fund 2021-22 Grant Award

It was resolved to:

Approve the release of the Capability Fund grant from Department for Transport (DfT) to Peterborough City Council and Cambridgeshire County Council, as set out in Paragraph 3.1, to deliver against the bid the Combined Authority submitted in April 2021.

### 3.3 St Neots Future High Streets Fund Scheme - Combined Authority Co-Funding Business Case

It was resolved to:

- a) Accept the Business Case produced for Combined Authority match funding towards the St Neots Future High Streets Fund Scheme.
- b) Authorise the Chief Legal Officer and Monitoring Officer to complete the funding agreement with the grant recipient.

### 3.4 Market Towns Programme Investment Prospectus – Approval of recommended projects - November 2021

It was resolved to:

Approve project proposals received under the Market Towns Programme received from East Cambridgeshire District Council for the town of Ely to the sum of £344,000.

### 3.5 Cambridgeshire and Peterborough Business Growth Company Limited - Appointment of new Director

It was resolved to:

Consent to the appointment of Alan Downton, Deputy Chief Officer of the Business Board at the Cambridgeshire Peterborough Combined Authority, as a director of Cambridgeshire and Peterborough Business Growth Company Limited (Growth Co)

### 3.6 Community Renewal Fund Award

It was resolved to:

- a) Note the award of £3,393,851 from Department for Levelling Up, Housing and Communities (DLUHC) jointly with Department for Work and Pensions (DWP) in relation to the Community Renewal Fund
- b) Following acceptance of the grant, delegate authority to the Director of Business and Skills in consultation with the Chief Finance Officer and Monitoring Officer to enter into grant funding agreements on behalf of the Combined Authority with the two approved providers.

By recommendation to the Combined Authority Board

## Part 4 – Transport and Infrastructure Committee recommendations to the Combined Authority Board

### 4.1 March Area Transport Study Outline Business Case

It was resolved to:

Approve the drawdown of **£1.51** million for production of the Full Business Case and detailed design.

### 4.2 A1260 Nene Parkway Junction 15

It was resolved to:

- a) Approve the Full Business Case.

- b) Approve an allocation of £3.014m from its capital reserves to increase the current subject to approval budget from £5m to the forecast construction cost of £8.014m.
- c) Approve the total £8.014m for the construction phase of the project including the re-profiling of the project budget.

## Part 5 – Skills Committee recommendations to the Combined Authority Board

### 5.1 Adult Education Budget Commissioning Approach and Statement for 2022-23 onwards

It was resolved to:

- a) Approve the proposed commissioning approach for the devolved Adult Education Budget from 2022-23 academic year onwards, to procure Independent Training Providers under contracts for services for up to £3m per year, subject to Department for Education (DfE) awarding the funding.
- b) Approve the implementation of three-year Plan-Led Funding, for the commissioning of Further Education Colleges and Local Authorities, operating under grant funding, from 2022-23 academic year onwards, subject to DfE funding awards.
- c) Delegate authority to the Director of Business and Skills in consultation with the Chief Finance Officer and Monitoring Officer, to enter into multi-year grant funding agreements with providers on behalf of the Combined Authority, following approval of three-year Plans
- d) Delegate authority to the Director of Business and Skills in consultation with the Chief Finance Officer and Monitoring Officer, to enter into contracts for services with Independent Training Providers on behalf of the Combined Authority, following conclusion of the commissioning process outlined in this report.

## Part 6 – Business Board recommendations to the Combined Authority Board

### 6.1 Strategic Funding Management Review November 2021 and Project Change Request

It was resolved to:

- a) Approve the project change request for the University of Peterborough Phase 2 Car Park infrastructure project.
- b) Approve the proposed strategy for investing Business Board recycled funds, and for **the Monitoring Officer** to make any relevant changes to the Local Assurance Framework.

### 6.2 Agri-Tech Sector Strategy

It was resolved to:

Approve the adoption of the Agri-Tech Sector Strategy/ Action Plan.

### 6.3 Business Board Annual Report 2020-21

It was resolved to:

- a) Note the Business Board Annual Report 2020-2021.
- b) Note the need for further funding beyond the current allocation for the Annual Report to develop the Business Board microsite, and the intention to request a virement from the forecast underspend on the Business Board Effectiveness Review to meet this need.

## Part 7 – Governance Reports

### 7.1 Combined Authority Committee Membership Changes and Business Board Substitutes November 2021

It was resolved to:

- a) Ratify the appointment by Fenland District Council of Councillor Samantha Hoy as its substitute member on the Housing Committee for the remainder of the municipal year 2021/2022.
- b) Ratify the appointment by East Cambs District Council of Councillor Ian Bovingdon as its member on the Transport and Infrastructure Committee for the remainder of the municipal year 2021/2022.
- c) Approve the reappointment of the nominated substitute member for the Mayor and Lead Member for Economic Growth for the Business Board (**Councillor Anna Bailey**).
- d) Note the appointment by Peterborough City Council of Councillor Amjad Iqbal as one of its members on the Overview and Scrutiny Committee for the remainder of the municipal year 2021/2022.

### 7.2 Annotated Forward Plan

It was resolved to approve the Forward Plan.

### 7.3 Performance Report

It was resolved to:

Note the latest Performance Dashboard

**Notes:**

- c) Statements in **bold type** indicate additional resolutions or changes to published recommendations made at the meeting.
- d) Five Members of the Overview and Scrutiny Committee may call-in a key decision of the Mayor, the Combined Authority Board or an Officer for scrutiny by notifying the Monitoring Officer.

For more information contact: Richenda Greenhill at [Richenda.Greenhill@cambridgeshire.gov.uk](mailto:Richenda.Greenhill@cambridgeshire.gov.uk) or on 01223 699171.

**ACTION TAKEN BY THE CHIEF EXECUTIVE ON THE GROUNDS OF URGENCY**

Committee: Council

Date: 22 February 2022

Author: John Hill, Chief Executive

[W145]

1.0 **ISSUE**

1.1 To note the action taken by the Chief Executive on the grounds of urgency.

2.0 **RECOMMENDATION**

2.1 That the action taken by the Chief Executive on grounds of urgency be noted.

3.0 **BACKGROUND**

**(a) Additional Restrictions Grant – Round 8**

3.1 The Additional Restrictions Grant is a discretionary funding scheme for local authorities to support businesses in their local economies during periods of lockdown relating to the COVID-19 pandemic.

3.2 On 21 December 2021, the Government announced that a further £102 million would be made available for Local Authorities, through a top-up to the Additional Restrictions to support businesses severely impacted by coronavirus restrictions and the rise of the Omicron variant, when most needed.

3.3 The eligibility criteria and priority groups are detailed in the proposed scheme, which is attached at Appendix 1 for your information.

3.4 The decision on the grounds of urgency will enable the Council to implement the scheme and benefit those eligible businesses as soon as possible. The East Cambridgeshire Additional Restrictions Grant will go live from 21 January 2022 and the Council will be required to complete weekly returns to the Department of Business, Energy and Industrial Strategy.

**(b) Covid-19 Additional Relief Fund**

3.5 The COVID-19 Additional Relief Fund (CARF) is a retrospective support measure aimed at business ratepayers who have been adversely affected by the pandemic and have been unable to adequately adapt to that impact. It excludes those retail, hospitality, and leisure businesses that have already been receiving reliefs and are the recipients of the latest round of business support grants.

- 3.6 The Government is providing East Cambridgeshire District Council with £1,649,932 of Section 31 Grant funding to implement a scheme of discretionary rate reliefs in accordance with Guidance issued in December 2021 to reduce chargeable amounts in respect of 2021/22.
- 3.7 The guidance and the allocation methodology provide a clear indication from the Government as to how this support should be targeted. Local Authority Guidance on CARF outlines the basis of grant allocation to billing authorities, and the allocation methodology uses the change in Gross Value Added (GVA) as a proxy for the economic impacts of COVID-19 on each business sector.

<b>SIC Code</b>	<b>Definition</b>	<b>Average GVA Reduction</b>
A	Agriculture, Forestry and Fishing	-13%
B	Mining and Quarrying	-8%
C	Manufacturing	-9%
D	Energy	-1%
E	Water and Waste Management	0%
F	Construction	-14%
G	Wholesale and Retail	-8%
I	Hospitality	-55%
J	Information and Communication	-6%
K	Financial Services	-2%
L	Real Estate Activities	-2%
M	Professional Services	-7%
N	Administrative Services	-21%
O	Public administration	1%
P	Education	-20%
Q	Health	-10%
R	Arts, Entertainment and Recreation	-34%
S	Other Services	-32%
X	J-N: Information, Communication, Financial Intermediation, Real Estate and Business Services	-6%
Y	Transport	-32%
Z	Storage and Distribution	-1%

**Table 1: Average GVA reduction by SIC category**

- 3.8 The Council will apply a reduction to eligible business rate accounts based on the figures in table 1 above, but at twice the amount of GVA reduction to make full use of the available funding.
- 3.9 Anglia Revenues Partnership (ARP) will administer the scheme on behalf of the Council. They will notify eligible businesses and be responsible for the application process.
- 3.10 The reliefs need to be applied to business rate accounts during the 2021/22 financial year, to ensure they are reflected in yearend reporting to Government.

The decision on the grounds of urgency will enable ARP to implement the scheme and meet this deadline.

- 3.11 Under the Constitution, the Chief Executive is required to consult with the Leader of the Council prior to delegated decisions being made and subsequently inform the Chairman of Council and Leaders of the other Political Groups on the Council.

#### 4.0 FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT

4.1 There are no additional financial implications.

4.2 Equality Impact Assessment (INRA) not required for the purposes of this report.

#### 5.0 APPENDICES

##### Appendix 1 – ARG Round 8 Eligibility Criteria

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<b><u>Background Documents</u></b>	<b><u>Location</u></b>	<b><u>Contact Officer</u></b>
Urgent Action Memo dated: 19 January 2022	Room 103 The Grange Ely	John Hill Chief Executive (01353) 665555 <a href="mailto:john.hill@eastcambs.gov.uk">john.hill@eastcambs.gov.uk</a>

## **East Cambridgeshire District Council Additional Restrictions Grant Scheme Round 8**

An 8<sup>th</sup> round of the Additional Restrictions Grant (ARG) scheme has been launched to support businesses severely impacted by coronavirus restrictions and the rise of the Omicron variant.

The ARG is a discretionary funding scheme for local authorities to support businesses in their local economies during periods of lockdown relating to the COVID-19 pandemic.

### **Eligible businesses**

This grant scheme is for businesses in the following sectors with fixed business costs who experienced a significant loss of income (over 30%) directly related to/as a result of coronavirus restrictions and the rise of the Omicron variant for the four-week period from 13<sup>th</sup> December 2021 – 9<sup>th</sup> January 2022.

**Businesses who are eligible for or have received the new government Omicron Hospitality and Leisure grant are NOT eligible to apply for this one-off discretionary grant**

Hospitality (non-business rate payers only)	a business whose main function is to provide a venue for the consumption and sale of food and drink.
Leisure (non-business rate payers only)	a business that provides opportunities, experiences and facilities, in particular for culture, recreation, entertainment, celebratory events and days and nights out.
Accommodation (non-business rate payers only)	a business whose main lodging provision is used for holiday, travel or other purposes.
Travel and tourism sector (business rate payers and non-business rate payers)	including group travel, travel agents and tour operators, coach operators, English language schools
Personal Care (business rate payers and non-business rate payers)	a business which provides a service, treatment or activity for the purposes of personal beauty, hair, grooming, body care and aesthetics, and wellbeing, gyms and other sports related activities not eligible for the Omicron Hospitality and Leisure grant
Supply chain (business rate payers and non-business rate payers)	Wedding industries, events industries, wholesalers, breweries, freelance and mobile businesses (including caterers, events, hair, beauty and wedding related businesses), non-essential retail, essential retail, taxi drivers, catteries and kennels, accommodation support services, food kiosks and businesses whose main service is a takeaway

In order to be eligible for a grant under this scheme, businesses must also:

- (For businesses with fixed premises) be operating from premises located within East Cambridgeshire or (for mobile businesses), be based at a home address within East Cambridgeshire and operate within the district.
- Have experienced a significant loss of income (over 30%) directly related to/as a result of coronavirus restrictions and the rise of the Omicron variant for the four-week period from 13<sup>th</sup> December 2021 – 9<sup>th</sup> January 2022.
- Be able to demonstrate that they have had ongoing fixed business costs, for example, rent or other costs that they have had to meet for the four-week period from 13<sup>th</sup> December 2021 – 9<sup>th</sup> January 2022.
- Have been open and providing services to customers during the four-week period from 13<sup>th</sup> December 2021 – 9<sup>th</sup> January 2022.

Applicants must be able to demonstrate one or more of the following:

- The public are required to enter the business premises to purchase goods/services.
- They are able to demonstrate that trade has dropped due to an inability to deliver consumer services (that cannot be delivered online) to customers due to coronavirus restrictions and the rise of the Omicron variant.
- They supply/trade with businesses that have been impacted by coronavirus restrictions and the rise of the Omicron variant.
- Their supplier/s were impacted by coronavirus restrictions and the rise of the Omicron variant
- Businesses in the events sector who can demonstrate that they have lost income due to not being able to attend events due to be held during the four-week period from 13<sup>th</sup> December 2021 – 9<sup>th</sup> January 2022.

**Businesses will be required to provide evidence of their fixed property costs, business related costs and loss of income.**

### **Ineligible businesses**

- Businesses that are able to continue to trade because they do not depend on providing direct in-person services from premises and can operate their services effectively remotely.
- Financial Services (e.g. bank), Medical Services (e.g. vets, dentist), Professional Services (e.g. solicitor), Estate & Letting Agents and Post Office sorting offices are not eligible for grants.
- Businesses whose primary function is not to provide goods/services to members of the public within their premises (e.g. office and manufacturing businesses).
- Businesses that have not been able to demonstrate a significant loss of income (at least 30%) due to coronavirus restrictions and the rise of the Omicron variant
- Land/premises used for storage or for personal use.
- Empty premises.
- Businesses that have exceeded the permitted Subsidy Allowance.
- Companies that are in administration, are insolvent or where a striking-off notice has been made.
- Businesses and individuals eligible to receive the eligible for or have received the new government Omicron Hospitality and Leisure grant are NOT eligible to apply for this one-off discretionary grant

Applications are restricted to one application per person per premises.

Applicants/businesses who have received the Omicron Hospitality and Leisure grant for a different business cannot claim under this scheme.

### **Subsidy Allowance**

There are three subsidy allowances for the COVID-19 Business Grant Schemes:

- Small Amounts of Financial Assistance Allowance – you're allowed up to £335,000 (subject to exchange rates) over any period of 3 years
- COVID-19 Business Grant Allowance – you're allowed up to £1,900,000
- COVID-19 Business Grant Special Allowance - if you have reached your limits under the Small Amounts of Financial Assistance Allowance and COVID-19 Business Grant Allowance, you may be able to access a further allowance of funding under these scheme rules of up to £10,000,000, provided certain conditions are met.

For more information about COVID-19 Business Grant Subsidy Allowances, please visit

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1044354/omicron-hospitality-and-leisure-grant-guidance.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1044354/omicron-hospitality-and-leisure-grant-guidance.pdf)

### **How much funding will be provided to businesses?**

This is a one-off grant.

Grant awards are discretionary and will be calculated on an individual basis, based on the amount of funding available, with payment amounts to be between £250 and £6,000.

The amount awarded will be determined by the nature of the premises from which the business operates and the level of loss of income experienced directly related to/as a result of coronavirus restrictions and the rise of the Omicron variant for the four-week period from 13<sup>th</sup> December 2021 – 9<sup>th</sup> January 2022.

Nature of business – grant amounts:

- Lower amount: For eligible businesses run from domestic premises in East Cambridgeshire and community facilities.
- Medium amount: For eligible businesses in commercial premises but who are not the business rate payer.
- Higher amount: For eligible businesses in commercial premises who are the business rate payer.

Loss of income - grant amounts:

- Lower amount: For businesses that experienced a loss of income of 30-50%
- Medium amount: For businesses that experienced a loss of income of 51 – 70%
- Higher amount: For businesses that experienced a loss of income of 71+%

Applications will be assessed on a first come first served basis. Incorrect applications and those with incomplete evidence will only be accepted when all the information required has been received by the Council.

### **Tax implications**

Grant income received by a business is taxable. The Omicron Hospitality and Leisure Grant will need to be included as income in the tax return of the business. Only businesses that make an overall profit once grant income is included will be subject to tax.

Payments made to businesses before 5 April 2022 will fall into the 2021/22 tax year. Unincorporated businesses will be taxed when they receive the grant income.

### **Managing the risk of fraud and payments in error**

The Government will not accept deliberate manipulation and fraud. Any business caught falsifying their records to gain additional grant money will face prosecution and any funding issued will be recovered, as may any grants paid in error. All information is subject to internal and external audit checks.

### **Data protection/sharing**

The Council is required by law to protect the public funds we administer. We may share information provided to us with other bodies responsible for auditing or administering public funds, or where undertaking a public function, in order to prevent and detect fraud. Further information can be found at: <https://www.eastcambs.gov.uk/content/data-protection-policy-and-guidance>

Data may be shared with the department for Business, Energy and Industrial Strategy (BEIS). The BEIS privacy notice, setting out how BEIS will handle personal data across all COVID-19 business grant schemes, can be found here: <https://www.gov.uk/government/publications/covid-19-grant-schemes-privacy-notice/covid-19-grant-schemes-privacy-notice>

**The closing date for applications is 5pm on Friday 11 February 2022 or earlier if all funding is awarded before this date.**