County Council

Date: Thursday 1 July 2021
Time: 10.00 am
Venue: Shire Hall, Warwick

Membership

Councillor Peter Gilbert (Chair), Councillor John Horner (Vice-Chair), Councillor Jo Barker, Councillor Richard Baxter-Payne, Councillor Brett Beetham, Councillor Margaret Bell, Councillor Parminder Singh Birdi, Councillor Sarah Boad, Councillor Barbara Brown, Councillor Peter Butlin, Councillor Jonathan Chilvers, Councillor Jeff Clarke, Councillor John Cooke, Councillor Andy Crump, Councillor Yousef Dahmash, Councillor Piers Daniell, Councillor Jackie D'Arcy, Councillor Tracey Drew, Councillor Judy Falp, Councillor Jenny Fradgley, Councillor Sarah Feeney, Councillor Bill Gifford, Councillor Clare Golby, Councillor Brian Hammersley, Councillor John Holland, Councillor Dave Humphreys, Councillor Marian Humphreys, Councillor Andy Jenns, Councillor Kam Kaur, Councillor Jack Kennaugh, Councillor Justin Kerridge, Councillor Christopher Kettle, Councillor Sue Markham, Councillor Jan Matecki, Councillor Sarah Millar, Councillor Chris Mills, Councillor Jeff Morgan, Councillor Penny-Anne O'Donnell, Councillor Bhagwant Singh Pandher, Councillor Daren Pemberton, Councillor Caroline Phillips, Councillor Wallace Redford, Councillor Howard Roberts, Councillor Will Roberts, Councillor Kate Rolfe, Councillor Jerry Roodhouse, Councillor Isobel Seccombe OBE, Councillor Jill Simpson-Vince, Councillor Tim Sinclair, Councillor Mejar Singh, Councillor Richard Spencer, Councillor Heather Timms, Councillor Mandy Tromans, Councillor Robert Tromans, Councillor Martin Watson, Councillor Adrian Warwick and Councillor Andrew Wright

Items on the agenda: -

1. General

(1) Apologies for Absence

(2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests

(3) Minutes of the previous meeting — 7 - 16

To review and approve the minutes of the meeting of Council held on 25 May 2021.

(4) Chair's announcements

(5) Petitions

To receive a petition on part night streetlighting.

(6) Public Speaking
To note any requests to speak on any item on the agenda in accordance with the Council's Public Speaking Scheme (see note at end of the agenda).

10. Terms of Reference for the Warwickshire Fire and Rescue Local Pension Board

Council is asked to approve the revised Terms of Reference for the Warwickshire Fire and Rescue Local Pension Board.

11. Revised Member Code of Conduct

Council is asked to approve the adoption of a revised code of conduct.

12. Notices of Motion

To consider the following motions submitted by members in accordance with Standing Order 5:

(1) Bus Services in Warwickshire.

It is noted that the provision of local bus services in the County have suffered during the pandemic with a reduced frequency of the service and a large drop in the number of passengers.

It is also noted that a good and regular service is essential to achieve the modal shift required to reduce the number of car journeys.

This Council resolves to set up a cross party working group to work with officers to draw up a fully costed Bus Service Improvement Plan for approval by Cabinet by the end of October 2021:

The plan should

1. include an aim to deliver a comprehensive service for Warwickshire;
2. encourage greater use of buses;
3. encourage greater uptake and use of bus passes;
4. investigate the use of electric and hydrogen buses

Proposer: Councillor Sarah Boad

Seconder: Councillor Bill Gifford

(2) 20mph Speed Limits

This Council will produce a costed plan for Cabinet consideration to introduce 20mph speed limits in all residential areas across Warwickshire as part of the Speed Management Strategy refresh.

Proposer: Councillor Jonathan Chilvers

Seconder: Councillor Will Roberts

13. Member Question Time (Standing Order 7)
A period of up to 40 minutes is allocated for questions to the Leader, Cabinet Portfolio Holders and Chairs of Overview and Scrutiny Committees.

14. Any Other items of Urgent Business
To consider any other items that the Chair considers are urgent.

Monica Fogarty
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

To download papers for this meeting scan here with your camera

Disclaimers

Webcasting and permission to be filmed

Please note that this meeting will be filmed for live broadcast on the internet and can be viewed on line. Generally, the public gallery is not filmed, but by entering the meeting room and using the public seating area you are consenting to being filmed. All recording will be undertaken in accordance with the Council's Standing Orders.

Disclosures of Pecuniary and Non-Pecuniary Interests

Members are required to register their disclosable pecuniary interests within 28 days of their election of appointment to the Council. A member attending a meeting where a matter arises in which s/he has a disclosable pecuniary interest must (unless s/he has a dispensation):

• Declare the interest if s/he has not already registered it
• Not participate in any discussion or vote
• Must leave the meeting room until the matter has been dealt with
• Give written notice of any unregistered interest to the Monitoring Officer within 28 days of the meeting

Non-pecuniary interests must still be declared in accordance with the Code of Conduct. These should be declared at the commencement of the meeting
The public reports referred to are available on the Warwickshire Web
https://democracy.warwickshire.gov.uk/uuCoverPage.aspx?bcr=1

Public Speaking

Any member of the public who is resident or working in Warwickshire, or who is in receipt of services from the Council, may speak at the meeting for up to three minutes on any matter within the remit of the Committee. This can be in the form of a statement or a question. If you wish to speak please notify Democratic Services in writing at least two working days before the meeting. You should give your name and address and the subject upon which you wish to speak. Full details of the public speaking scheme are set out in the Council’s Standing Orders.

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County Council

Tuesday 25 May 2021

Minutes

Attendance

Committee Members
Councillor Peter Gilbert, Councillor Jo Barker, Councillor Richard Baxter-Payne, Councillor Brett Beetham, Councillor Margaret Bell, Councillor Parminder Singh Birdi, Councillor Sarah Boad, Councillor Barbara Brown, Councillor Peter Butlin, Councillor Jonathan Chilvers, Councillor Jeff Clarke, Councillor John Cooke, Councillor Andy Crump, Councillor Yousef Dahmash, Councillor Piers Daniell, Councillor Jackie D'Arcy, Councillor Tracey Drew, Councillor Judy Falp, Councillor Jenny Fradgley, Councillor Sarah Feeney, Councillor Bill Gifford, Councillor Clare Golby, Councillor Brian Hammersley, Councillor John Holland, Councillor John Horner, Councillor Dave Humphreys, Councillor Marian Humphreys, Councillor Andy Jenns, Councillor Kam Kaur, Councillor Jack Kennaugh, Councillor Justin Kerridge, Councillor Christopher Kettle, Councillor Sue Markham, Councillor Jan Matecki, Councillor Sarah Millar, Councillor Chris Mills, Councillor Penny-Anne O'Donnell, Councillor Bhagwant Singh Pandher, Councillor Daren Pemberton, Councillor Caroline Phillips, Councillor Wallace Redford, Councillor Will Roberts, Councillor Kate Rolfe, Councillor Isobel Seccombe OBE, Councillor Jill Simpson-Vince, Councillor Tim Sinclair, Councillor Mejar Singh, Councillor Richard Spencer, Councillor Heather Timms, Councillor Mandy Tromans, Councillor Robert Tromans, Councillor Martin Watson, Councillor Adrian Warwick and Councillor Andrew Wright

1. Election of Chair of Council

Former County Councillor Alan Cockburn, the Chair of Warwickshire County Council for the municipal year 2020 to 2021 requested nominations for the Chair.

Councillor Yousef Dahmash nominated Councillor Pete Gilbert. Prior to this, Councillor Dahmash extended his condolences to the family of former County Councillor Chris Williams who had recently passed away.

Councillor Yousef Dahmash thanked Alan Cockburn for his term of office as Chair acknowledging that the Covid-19 Pandemic meant that the year had not been as originally envisaged. He commended Alan Cockburn for the way in which he had chaired meetings of Council and thanked him for his years of service to the people of Warwickshire.

Nominating Councillor Pete Gilbert Councillor Yousef Dahmash stated that he has been passionate about politics from a very young age. He had asked questions at meetings of Nuneaton and Bedworth Borough Council from the age of 12. He had entered local politics in the early 1990s and had become a member of Warwickshire County Council in 2017. Councillor Gilbert was described as fair and balanced by Councillor Yousef Dahmash. He would make a good Chair of Council.

The nomination was seconded by Councillor Jo Barker who described Councillor Pete Gilbert as loyal to his roots, his friends and the people he represents. He would be the right person to Chair the Council out of the Pandemic.

There were no other nominations.

A vote was held.

Resolved:

That Councillor Pete Gilbert be elected as Chair of Warwickshire County Council for the municipal year 2021/2022.

Councillor Pete Gilbert thanked Alan Cockburn for his year as Chair of Council. He extended his condolences to the family of former County Councillor Chris Williams.

Councillors Yousef Dahmash and Jo Barker were thanked for their words of support.

In accepting the position of Chair Councillor Pete Gilbert informed Council that his interest in politics stemmed from being raised in a pub. People, he said, often had comments concerning the government of the day. When he attended a meeting of the borough council at the age of 12, he was chastised for asking his questions.

Councillor Gilbert stated that with the end of the Pandemic in sight there is a desire to strive to return to normality and return to the standard of living seen previously. However, for many people their standard of living falls below what it acceptable. Councillors have a responsibility to work with and listen to individual and groups allowing them to shape the process of improving peoples' lives.

There is a need to tackle inequality especially in education (where the County Council has less influence than it used to). There is a need to ensure that children do not fail at school. Many that do end up in prison. Children should be given the tools to have a good start in life and realise their ambitions

Councillor Gilbert concluded by stating that local government is the shop window of democracy. Councillors need to stick to their principles. They have four years to work for others and to make a difference.

Councillor Gilbert proposed a motion of thanks to Alan Cockburn which was seconded by Councillor Warwick.

Alan Cockburn thanked Councillor Pete Gilbert. Although his year in office had not been as expected he had been proud to Chair meetings of Council and uphold the Council's traditions of integrity and honesty. Officers were thanked for their support through the year and Council collectively was thanked for its commitment and hard work.

2. Election of Vice Chair of Council

Councillor Pete Gilbert (Chair of Council) asked for nominations to the role of Vice-Chair of Council.

Having thanked Alan Cockburn for his work as Chair and welcomed Councillor Pete Gilbert to the role Councillor Izzi Seccombe nominated Councillor John Horner to be Vice-Chair for 2021/2022. In doing so Councillor Izzi Seccombe summarised Councillor John Horner's qualifications and career which extended around the world.

Councillor Andy Crump seconded the nomination stating that Councillor John Horner would make a good ambassador for the Council.

There were no other nominations.

A vote was held.

Resolved:

Councillor John Horner be elected as Vice-Chair of Warwickshire County Council for the year 2021/2022.

In reply Councillor John Horner thanked members for their support and congratulated Councillor Pete Gilbert for his appointment as Chair.

3. General

(1) Apologies for Absence

Apologies were received from Councillors Jeff Morgan, Howard Roberts, Jerry Roodhouse and Martin Watson.

(2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests

No disclosures were made at this meeting.

(3) Minutes of the previous meeting

The minutes of the meeting of Council held on 16 March 2021 were agreed as a true record.

(4) Chair's announcements

Former Councillor Chris Williams

Councillor Pete Gilbert announced the passing on Saturday 22 May 2021 of former County Councillor Chris Williams who had represented the Kineton and Red Horse Division until the elections held only a few weeks previously. Councillor Williams' extensive career in local politics was summarised by Councillor Gilbert who concluded by stating that Councillor Williams was a true gentleman whose wit and sarcasm would be greatly missed.

Councillor John Holland (Leader of the Labour Group) stated that he had known Chris Williams largely through their joint membership of the Council's Corporate Parenting Panel. They had also worked with former County Councillor Jenny St John. Councillor Williams would be remembered for the very good work he had done for the people of Warwickshire.

Councillor Izzi Seccombe (Leader of the Council) expressed her sadness at the loss of Chris Williams who only a few days previously had been given good news regarding his illness. He was proud to be a councillor for his area and he operated with dignity and to a very high standard. He was passionate about children in care and those who were adopted. He took his role as Corporate Parent very seriously. This was partly as he was able to bring his experience as an adoptive father to bear.

Councillor Jenny Fradgley had worked with Chris Williams at Stratford-on-Avon District Council as well as the county council. His corporate parenting work was to be commended.

Councillor Jo Barker explained that when she had first become a County Councillor she had frequently been in conflict with Chris Williams as party Whip. However, having suffered a similar illness she has come to know and respect him.

Councillor Chris Mills had known Chris Williams since 1998. Council was informed that Chris Williams had been involved in a severe accident which temporarily affected his memory. This had been followed some time later by a stroke. He had always maintained a great sense of humour that would be greatly missed.

Councillor Andy Crump has served with Chris Williams on Stratford-on-Avon District Council. He had a terrific sense of humour and was a true gentleman with a wealth of knowledge.

Former Councillor David Kohler

Council was informed of the death of former county councillor David Kohler who served from 1993 to 1997.

Councillor Sarah Boad informed the meeting that she had attended David Kohler's funeral in Eastbourne. He had been an active school governor and had been closely involved in race equality issues.

Council stood for one minutes' silence.

4. County Returning Officer's Return of Persons Elected on 6 May 2021

The return was duly noted by Council.

5. Appointment of the Leader of the Council

Councillor Penny-Anne O'Donnell proposed Councillor Izzi Seccombe to be Leader of the Council stating that she is a fearless visionary with humour and the power to inspire others.

The nomination was seconded by Councillor Chris Kettle who informed Council that he had know Councillor Seccombe for many years.

Vote

A vote was held and the proposal carried.

Resolved:

That Councillor Izzi Seccombe be elected as Leader of the Council.

6. Appointments to Committees and Other Bodies

Councillor Izzi Seccombe moved the recommendations as set out in the report and paper A (circulated at meeting).

The proposal was seconded by Councillor John Holland

Vote

A vote was held and the proposal agreed.

Resolved:

(1) That Council confirms the Committee structure and delegations of non-executive functions to member bodies as set out in the Constitution.

(2) That Council agrees the appointment of members to the Committees and other bodies as set out in the appendix.

(3) That Council confirms the delegations of non-executive functions to officers as set out in the Constitution.

(4) That the Council agrees an amendment to the Constitution as it applies to the Health and Wellbeing Board consequent upon the merger of the three Clinical Commissioning Groups into a single body covering Warwickshire such that there will be a single CCG appointment moving forward.

(5) That the Council authorises the Strategic Director for Resources to make such amendments to the Council's Constitution as may be required as a consequence of any changes agreed by Council together with any minor amendments necessitated by changes to any roles and titles referred to in the Constitution and to ensure accuracy and compliance with legislation and the Council's prior decisions.

(6) That the Council authorises the Chief Executive to agree the final appointments to the Police and Crime Panel in consultation with Group Leaders as she considers to be necessary to meet the requirements of geographical and political proportionality required and to work with District and Borough representatives to achieve that end.

(7) That the Council authorises the Strategic Director for Resources to appoint an Independent Remuneration Panel to commence a review the Member Allowances Scheme

Appendix

Resolved:

1. That the Council confirms the Committee structure and delegations of non-executive functions to member bodies and officers as set out in the Constitution.

2. That the number of places on Council Committees be as follows:

Committees	Con	Lab	LD	GR	WRA	Total
Audit & Standards Committee (6)	4	1	1			6
Regulatory Committee (12)	10	1			1	12
Staff & Pensions Committee (6)	4	1	1			6
Adult Social Care & Health (10)	7	1	1	1		10
Children and Young People (10)	8	1	1			10
Communities (10)	7	1	1	1		10
Resources and Fire & Rescue (10)	7	1	1	1		10
Political Balance Entitlement 2021	**47**	**7**	**6**	**3**	**1**	**64**

3. That the Council appoints the committees and membership:

Opposition Group Spokespersons are indicated for Overview and Scrutiny Committees (Sp)

Committee	Conservative	Labour	Lib Dem	Green	Ind
Audit & Standards Committee (co-optees:J Bridgeman, +1 Vacancy – recruitment under way) 6 Members (4:1:1)	John Horner (C) P Singh Birdi Chris Kettle Brian Hammersley	Sarah Feeney	Bill Gifford		
Regulatory Committee 12 Members (10:1:1)	John Cooke (C) Jill Simpson-Vince (VC) Chris Mills Dave Humphreys Jack Kennaugh Adrian Warwick Jeff Clarke Jan Matecki Justin Kerridge	Sarah Feeney			Judy Falp

	Rik Spencer				
Staff & Pensions Committee 6 Members (4:1:1)	Andy Jenns (C) John Horner Chris Kettle Jill Simpson-Vince	Sarah Millar	Bill Gifford (VC)		
Adult Social Care & Health OSC 10 members (7:1:1:1)	Clare Golby (C) John Cooke Chris Mills Marian Humphreys P O'Donnell Jan Matecki Mandy Tromans	John Holland (VC)	Kate Rolfe (SP)	Tracey Drew (SP)	
Children & Young People OSC 10 members (8:1:1)	Yousef Dahmash (C) Jo Barker Brett Beetham Justin Kerridge Pete Gilbert Jill Simpson-Vince Marian Humphreys Brian Hammersley	Barbara Brown (SP)	Jerry Roodhouse (VC)		
Communities OSC 10 members (7:1:1:1)	Jeff Clarke (C) Tim Sinclair Dave Humphreys Daren Pemberton Andy Wright R Baxter-Payne Bhagwant Pandher	Jackie D'Arcy (SP)	Jenny Fradgley (SP)	Jonathan Chilvers (VC)	
Resources & Fire and Rescue OSC 10 members (7:1:1:1)	Adrian Warwick (Ch) P Singh Birdi (VC) Piers Daniell Martin Watson Sue Markham Rik Spencer Rob Tromans	Caroline Phillips (SP)	Sarah Boad(SP)	Will Roberts (SP)	
Joint Staff Negotiating Body 4 - (2 Leader* + 2 Council appt)	*Izzi Seccombe *Andy Jenns	Barbara Brown	Bill Gifford		
Joint Teachers Neg. Body- 4 (2 Leader* + 2 Council appt)	*Jeff Morgan *Andy Jenns	Barbara Brown	Bill Gifford		
Pension Fund Investment Sub-Committee	John Horner Chris Kettle Jill Simpson-Vince	Sarah Millar	Bill Gifford		

[Sub of S&P] (5 Members)					
Committee	**Conservative**	**Labour**	**Lib Dem**	**Green**	
Pool of Members to sit on Appointments Sub-Committees and Staff Appeals Sub-Committees.	Margaret Bell P Singh Birdi Peter Butlin Jeff Clarke John Cooke Andy Crump Yousef Dahmash Piers Daniell Brian Hammersley Dave Humphreys Andy Jenns Kam Kaur Justin Kerridge Jan Matecki Jeff Morgan P O'Donnell Wallace Redford Izzi Seccombe Jill Simpson-Vince Mejar Singh Heather Timms Mandy Tromans Adrian Warwick Martin Watson	John Holland Sarah Feeney Barabara Brown	Sarah Boad Jerry Roodhouse Bill Gifford	Tracey Drew	

4. That John Bridgeman be confirmed as the Chair of the Audit and Standards Committee.

5. (a) That the Council confirms membership to the following bodies:

	Conservative	Labour	Liberal Democrat
Health and Wellbeing Board (4)	Margaret Bell Izzi Seccombe Jeff Morgan		Jerry Roodhouse
Joint Coventry & Warwickshire Health OSC (5)	Clare Golby John Cooke Chris Mills P O'Donnell	John Holland	
Corporate Parenting Panel (6)	Jeff Morgan P O'Donnell Pete Gilbert Marian Humphreys	Caroline Phillips	Jerry Roodhouse
Standing Advisory Council on Religious Education (SACRE) (5)	P Singh Birdi John Cooke Justin Kerridge	Barbara Brown	Sarah Boad
Warwickshire Waste Partnership (5)	Heather Timms Andy Wright Daren Pemberton	Sarah Millar	

	Bhagwant Pander		

5 (b) That the Portfolio Holder with responsibility for Adult Social Care and Health is appointed as the Chair of the Health and Well-being Board.

(c) That the Council agrees an amendment to the Constitution as it applies to the Health and Wellbeing Board consequent upon the merger of the three Clinical Commissioning Groups into a single body covering Warwickshire such that there will be a single CCG appointment moving forward.

(d) That the Portfolio Holder with responsibility for children's services is appointed as the Chair of the Corporate Parenting Panel.

6. (a) That the following be appointed to the LGPS Local Pension Board and Fire & Rescue Local Pension Board for a three-year term:

LGPS *Local Pension Board*	***End of term of office following this appointment***
Councillor Parminder Singh Birdi (WCC Employer Rep) Keith Bray (Independent Chair) Keith Francis (Employer Rep) Alan Kidner (Employee Rep)	May 2024
Fire & Rescue Local Pension Board	***End of term of office***
Sian Marsh (Employee Rep) (FBU) – from July 2021	July 2024
Tony Morgan (Employee Rep) (Retained Firefighters Union) – from July 2021	July 2024
Paul Morley (Employee Rep) (fire Officers Association) – from July 2021	July 2024
Barnaby Briggs (Employers Rep) – May 2021	May 2024
Caroline Jones (Employers Rep) – May 2021	May 2024

(b) That the Council confirms that the Employer Representatives on the Fire and Rescue Local Pension Board should be members or officers of the Warwickshire County Council

7. That the Council authorises the Chief Executive to agree the final appointments to the Police and Crime Panel in consultation with Group Leaders as she considers to be necessary to meet the requirements of geographical and political proportionality required and to work with District and Borough representatives to achieve that end.

8. That the Council confirms/appoints to the following external bodies

	Conservative	Labour	Liberal Democrat
LEP (1)	Kam Kaur		
LGA (4)	Peter Butlin Izzi Seccombe	John Holland	Jerry Roodhouse
CCN (4)	Peter Butlin Izzi Seccombe	Sarah Feeney	Jerry Roodhouse
LGA Fire Commission (1)	Andy Crump		

9. That Council confirms the delegations of non-executive functions to officers as set out in the Constitution.

10. That the Council authorises the Strategic Director for Resources to make such amendments to the Council's Constitution as may be required as a consequence of any changes agreed by Council together with any minor amendments necessitated by changes to roles and titles and to ensure accuracy and compliance with legislation and the Council's prior decisions.

11. That the Council authorises the Strategic Director for Resources to appoint an Independent Remuneration Panel to commence a review the Member Allowances Scheme.

7. Any Other items of Urgent Business

None

The meeting rose at 11.00.

…………………………
Chair

Agenda Item 2

County Council

1 July 2021

Warwickshire Recovery and Investment Fund Addition to the Capital Programme

Recommendation

That Council approves the addition of the Warwickshire Recovery and Investment Fund to the Capital Programme at a cost of up to £130 million, funded from additional borrowing and phased over the five years as set out in paragraph 4.3.

1. Purpose of the Report

1.1. In February 2021, Council approved that as a priority over the next 12 months an investment proposal should be brought forward for decision supporting business innovation, investment and inward investment through a Warwickshire Recovery and Investment Fund (WRIF), as part of our place shaping to help residents prosperity.

1.2. This resulted in a Cabinet decision approving, in principle, the establishment of a WRIF and authorising the Strategic Director for Resources to finalise the proposals and fund allocations and to develop the Year 1 Business Plan.

1.3. This work has now been completed and at its meeting on 17 June 2021, Cabinet approved a WRIF Business Plan for 2021/22 and the WRIF Investment Strategy. Full details of the WRIF Business Case and Business Plan can be found in supporting papers available via the Council's website.

1.4. This approval was subject to Council approving:

- the £130 million required to deliver the WRIF be added to the Council's 2021-26 capital programme; and
- the changes required to the Council's Treasury Management and Investment strategies to facilitate the delivery of the WRIF.

1.5. The latter report is elsewhere on today's agenda. The purpose of this report is to seek Council's approval for the required increase in the Council's capital programme.

2. Executive Summary

2.1. The WRIF is a significant Council policy initiative to support its strategic place shaping agenda and its recovery and regeneration strategies in response to the economic impact of the Covid 19 Pandemic.

2.2. WRIF is aligned to and will help deliver the Council's strategic objectives, providing direct support to delivery of the Council's strategic outcome "Warwickshire's economy is vibrant and supported by the right jobs, training, skills and infrastructure", which in turn helps the Council support Warwickshire communities and make the best use of resources.

2.3. The objectives for the WRIF are to:

- Fill a gap in access to finance that helps businesses in Warwickshire start, grow and scale up; or helps businesses locate to the county. Businesses located just outside of the county may be considered for finance, if there are clear benefits to Warwickshire subject to compliance with any applicable legal and/or financial frameworks;
- Leverage additional resources or funding for the county through the investment and support of key growth businesses;
- Make investments that deliver benefits and social value to the residents and communities of Warwickshire in both the short term (0-12 months) and medium term (1-5 years);
- Support investments that make a contribution towards meeting net zero carbon goals; and
- Support the delivery of the Council's strategic goals and priorities as set out in the Warwickshire Council Plan 2025, COVID 19 Recovery Plan, Economic Strategy, Commercial Strategy and Place Shaping Programme.

2.4. In meeting these objectives, the main principles of how the WRIF should operate are:

- To increase the Council's ability to offer space tailored to meet the needs of existing businesses wanting to grow in Warwickshire and to attract new business to Warwickshire resulting in increased employment opportunities. The Council as a result will have a greater location incentive to keep and attract business to Warwickshire;
- To enable development in the County, facilitating new employment, land and commercial premises and which could also include investing in or building commercial sites and premises when the need is confirmed, and contract arrangements are in place with the organisation needing the premises;

- Support businesses based within Warwickshire and looking to grow or looking to re-locate in the county. Businesses located just outside of the county may be considered for finance, if there are clear benefits to Warwickshire in providing this support, subject to compliance with any applicable legal and/or financial frameworks;
- Provide a flexible tool to consider and enable a range of opportunities for supporting business;
- Support business through investments based on agreed investment criteria and priorities that are developed from analysis of the economy and strategic sectors and support key sectors and growth, rather than weaker sectors;
- Target priorities by promoting investment in priority sectors, business types and investments that enable development, and provide wider social value benefits across the Warwickshire economy;

2.5. It is intended that the WRIF will give a particular focus to investment opportunities that:

- Stimulate the creation of skilled and/or entry level jobs in the county;
- Can or will leverage additional resources or funding;
- Help meet the net zero carbon targets for the Council and County; and
- Increase social value – where the investment brings benefits to local residents, removes barriers to employment, supports health and well-being, protects and enhances the natural environment, creates better places to live and/or maximises opportunities to strengthen community capacity and resilience.

2.6. The financial nature of the WRIF is that it will provide access to funding, on a repayable basis. It has been modelled on the basis that the WRIF will be financially sustainable. Overall, the Business Plan demonstrates that, with a notional £140m investment in the WRIF and on the base assumptions, the WRIF would generate a net return of £4.6m. This equates to a net return on investment of 3.3%.

2.7. The WRIF is split into three “Pillars”, the Business Investment Growth pillar (BIG), the Property and Investment Fund pillar (PIF) and the Communities and Enterprise Pillar pillar (LCE). Each of these focusses on a different investment need in order to provide the coverage considered necessary to advance the funds objectives.

2.8. At this point in time the £140m figure for investment in the WRIF over five years is considered to be the upper limit of what is affordable and reasonable to invest. Within this overall £140m figure for WRIF, a cap of £90m has been allocated for the Business Investment Growth pillar which has the lowest risk and strongest return. There is a £40m cap for Property and Infrastructure Investment Fund. Together these two pillars total £130m meeting the definition of capital necessitating the addition to the capital programme. The Communities and Enterprise Pillar has a much lower £10m cap, funded from internal resources, set for this higher risk area to minimise the risk of 'losses' on that pillar and ensure the overall WRIF makes a positive return, is affordable and takes account of the Council's fiduciary duties.

2.9. The net financial return from the potential £140m investment makes it critical that the operational requirements within which the WRIF operates are set at levels which support a positive financial outcome and minimise the risk to the Council's investment, whether this be through investment returns, the level of default risk the Council is prepared to accept or the level of security over loans required. These requirements have been a focus of attention in the development of the business plan, the drafting of the WRIF Investment Strategy and in the development of the operational arrangements for the WRIF.

2.10. Given the modelled levels of return and in order to ensure that the Council meets its fiduciary duty to taxpayers, the outcomes in terms of the service and wider economic benefits to the residents of Warwickshire from the WRIF and individual investments should demonstrably outweigh the potential financial risks at both Fund and individual project level. The spreading of investment over 5 years provides the opportunity to assess risk experience and adjust investment amounts or investment protocols in later years. Financial monitoring and taking appropriate action in the light of experience will be a critical feature of risk management.

2.11. The overhead and administrative costs of running the WRIF will be recovered through the use of application fees and from the interest paid on any loans. As a result, there is a minimum level of activity that the WRIF will need to undertake to ensure it meets the financial objective of at least breaking even. This is currently estimated to be £77.0m. Any under recovery of the operating costs will be an additional cost that will need to be met from future MTFS allocations.

2.12. Given the nature of the Fund any returns over and above those repaying the original loans and funding the WRIF running costs will be available to support the ongoing priorities set out in the WRIF investment strategy or to invest in other Council priorities. The options and affordability will form part of the annual MTFS refresh, Treasury Management Strategy and Council Investment Strategy refreshes to be approved by Council and then built into the WRIF Investment Strategy to be approved by Cabinet.

3. Fiduciary Duties

3.1 In making decisions about approving the funds, the Council must have regard to its fiduciary duties. These can be summarised as the Council acting as trustee over the tax and public sector income (and liabilities) on behalf of its local taxpayers and other residents. The Council in effect holds money but does not own it; rather, it spends money (and incurs liabilities) on behalf of its business rate and council taxpayers.

3.2 Due to the size of the proposed investments going via the WRIF together with the risk of losses which attach to any investment and the fact that the Council will be funding something different from typical local authority activities, has resulted in careful consideration being given to the Council's fiduciary duties in relation to this project. A summary of this position is set out below.

Considerations	How addressed
Clarity of the policy objectives/outcomes which WRIF (or its separate streams) are designed to support/deliver	The WRIF is a key component of the Council's Covid-19 Recovery Plan. The economic case for the WRIF was initially developed last year, and the forecasting was updated in light of the likely impacts of the second national lockdown and again in light of the extension of the various Government support schemes (particularly job furloughing, business rates and tax holidays), and the successful movement along the roadmap out of lockdown and the rollout of vaccinations. While the revised forecasts suggest an improved picture and a faster recovery than initially thought, this is clearly not guaranteed, and it is vital that Warwickshire seeks to maximise the opportunities for recovery and future investment that could otherwise occur elsewhere. In summary, the implementation of the WRIF aligns with the Council's objective to promote economic recovery, the economic outlook remains challenging and the introduction of the WRIF coincides with the current planned phasing out of central government support, including the various Business Intervention Loan Schemes.
Options Appraisal – assessment of WRIF versus alternative routes to deliver the	The options appraisal is set out at paragraph 142 of the WRIF Business Case (received

policy/objectives. Why are the WRIF proposals best suited to deliver these?	by the meeting of Cabinet on 11/2/21) and concludes that WRIF is the most appropriate policy option for the Council to pursue
Financial impact (to the Council) of the proposals and the risks of non-recovery and steps to mitigate/manage such risks. If some of funding is expected to be non-recoverable, this should be identified.	Overall, the Business Plan demonstrates that, with a notional £140m investment in the WRIF and on the base assumptions, the WRIF would generate a net return of £4.6m. This equates to a net return on investment of 3.3%. This gain is the aggregate of an estimated net return on the BIG of £3.1m, on the PIF of £2.7m offset by an estimated net loss on the LCE of £1.2m. However, the estimated losses with the LCE need to be considered in conjunction with the potential indirect benefits generated by supporting small business and the associated jobs. Applications will be assessed against set criteria which support a positive financial outcome and minimise the risk to the Council's investment. Further, using external expertise to manage the LCE will assist in mitigating the risks associated with it. Any returns over and above those repaying the original loans and funding WRIF running costs will be available to support the ongoing priorities set in the WRIF investments strategy or to invest in other council priorities. There is a process for an annual review of WRIF performance which will inform the Council's financial commitments for the following year, helping to manage and mitigate risk
Benefit of WRIF to target groups (who would benefit under WRIF) fairly balanced against the interests of Warwickshire's taxpayers/residents i.e. the impact of the money being spent on WRIF (especially if a loss is projected or high level of risk is involved) on the Council's other activities/level of Council Tax.	The direct economic benefits of WRIF are estimated in paragraphs 214 and 215 of the WRIF Business Case (received by the meeting of Cabinet on 11/2/21). These show an annual contribution to the county's gross value-added of £110m – 160m

Fiduciary Duty considerations are not a one-off exercise. They remain relevant throughout the life of the programme. Members and officers need to continue to consider the above points i.e. act in an efficient 'business like' manner	This will be kept under review throughout the duration of the fund and any future Fund decisions taken

3.3 The WRIF Business Plan anticipates that "the security taken by the Council through the loan agreement will be at least sufficient to allow the WRIF to recoup a significant, if not all, of the initial investment". For clarity, this is likely to be the case for the investments in the BIG and PIF pillars. However, due to the nature of the loans made through the LCE pillar, these loans are much less likely to be backed by security and therefore it is unlikely that loans made through this, currently much smaller, pillar will be recoverable in the event of default by the borrower. The risk of non-recovery for LCE loans is therefore higher than for the BIG and PIF loans.

3.4 However, the fact that there is a fund that is not projected to be recovered in full does not, in itself, mean that the Council is failing in its fiduciary duties if it supports the WRIF. It does mean that the Council needs to recognise that there is a potential risk, and decision makers need to properly consider the issues and considerations discussed above (and in the Business Case) before reaching their decisions.

3.5 The Council has sought external legal advice in developing the WRIF proposals. This covers the Council's powers to set up the fund, relevant considerations prior to investing or offering products through the fund (including the Council's fiduciary duties in respect of public money and appropriate governance), changes to state aid rules post EU transition, and regulatory requirements. The full legal advice is available to members on a confidential basis if required

4. Financial Implications

4.1. From a local authority accounting perspective, the majority of the potential activities of the WRIF are defined as capital expenditure. This includes the provision of loan finance for the creation/development of a fixed asset (whether or not the asset is owned by the Council) and the purchase of shares/equity investment. The financial model underpinning the WRIF assumes that £130m of the £140m investment will meet the definition of capital expenditure. It is for this reason that Council is requested to add a capital facility of £130 million to the Capital Programme.

4.2. The ability to draw down funding will be subject to further separate decisions as set out in the governance arrangements for the WRIF. The Capital Programme facility will be reviewed and/or updated via the Budget Resolution approved by Council in February each year.

4.3. The initial phasing of the Council's investment in WRIF will be phased across the 2021-26 capital programme set out in Table below.

	Addition to the Capital Programme £m
2021/22	20.0
2022/23	30.0
2023/24	30.0
2024/25	30.0
2025/26	20.0
Total	**130.0**

4.4. At the end of March 2021, the Council's level of outstanding debt was £321m with a further £200m of financing forecast to be required over the period of the 2021-26 MTFS as the financing approved for the Council's own Capital Programme (including the Capital Investment Fund) and the investment required to support the delivery of the Warwickshire Property and Development Group (WPDG) business plan.

4.5. As stated above, the WRIF business plan estimates up to £130m additional capital spend through the WRIF, with £10m to be funded from internal resources. This borrowing would be additional to our current plans.

4.6. Whilst £130m is the maximum gross exposure to external debt within the WRIF, repayment profiles will mean that peak debt is significantly below this level. The business plan estimates that the maximum peak debt will be £67m in 2025/26. The financial modelling behind the Business Plan has demonstrated a peak funding level of £70.6m over the 5-year investment cycle. The Council is also able to manage risk based on the overall economic and market conditions at the time. If losses start to increase, then the Council has the ability to slow or stop future investments or adjust lending criteria/parameters and invest in more secure counter parties.

4.7. Any request from WRIF for loan/equity finance will need to be considered in the context of the wider County Council borrowing profile. Our total borrowing profile is driven by the sum of Capital Programme plus WPDG plus the WRIF.

Any assessment of affordability and risk from a treasury management and investment perspective will need to consider all of these in the round. It also needs to be recognised that this wider context will change over time and therefore the assessment needs to be "live" at the point the decision is made.

4.8. Any borrowing the Council takes out and then provides onwards through the WRIF as a loan/purchase of equity will be taken out on the basis that the financial returns from the investment more than cover both the interest and principal repayments to the Council that arise from taking out the borrowing plus any costs of the WRIF administration and decision-making arrangements.

4.9. The use of borrowing to fund any WRIF activity means the Council will need to be able to justify to PWLB (and therefore HM Treasury) that the Council is taking out the borrowing primarily for service reasons rather than to generate a commercial return. The Investment Strategy approved by Council in February 2021 and the refresh being considered today make it Council policy to ensure our investment activity does not fall foul of the PWLB lending criteria that could exclude the Council from using this source of borrowing for the entirety of our capital programme for three years.

4.10. As a local authority, the Council is required to make sure it acts prudently in setting aside resources to repay the principal of any loans taken out to fund capital expenditure, which is the nature of the loans/equity investment it would be providing through the WRIF. The recent public interest reports on local authority owned companies determined that not setting aside resources because of an assumption that income would be received to repay the loans before they were due was not a prudent approach. Therefore, the County Council will make provision for MRP (the provision for the repayment of principal) in its revenue budget.

4.11. The repayment of loans made through the WRIF will be structured in such a way as to ensure sufficient levels of repayment to offset the costs of financing our PWLB loan/s and hence creating no additional call on the Council's revenue budget.

4.12. The creation of the commercial risk reserve (£7.5m) as part of the 2021/22 MTFS provides additional financial cover in the short term should the level of loan repayment defaults be higher than those expected in the business plan until such time as corrective action to the operational arrangements for the WRIF can be put in place or the next MTFS refresh.

5. Environmental Implications

5.1. Whilst there are no direct environmental implications of an addition to the capital programme, the modelled benefits of the WRIF itself include enabling carbon reduction through investment in environmentally and/or economically sustainable businesses that are driving climate change benefits, carbon neutral and low carbon initiatives, and an increase in the use of/public support for zero carbon technologies.

6. Supporting Information

6.1. Arising from the work under the Council's Covid-19 Recovery Plan, WRIF is a direct support for the Council's objectives and outcomes. Subject to Council approval of the changes to the Treasury Management Strategy and Investment Strategy also before this Council meeting, the addition of the Warwickshire Recovery and Investment Fund to the Capital Programme 2021/22 at cost of up to £130 million is recommended.

Background Papers

None

Supporting Papers

1. Cabinet Report 17 June 2021
2. Cabinet Report 11 February 2021

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The report was not circulated to members prior to publication.

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County Council

1 July 2021

Treasury Management Strategy and Investment Strategy

Recommendations

That:

1. The Treasury Management Strategy for 2021/22 (Appendix 1) be approved with immediate effect.

2. The Investment Strategy for 2021/22 (Appendix 2) be approved with immediate effect.

3. That the County Council requires the Strategic Director for Resources to ensure that gross borrowing does not exceed the prudential level specified (Appendix 1, Section 3.2, Table 10 "Authorised Borrowing Limit").

4. That the County Council requires the Strategic Director for Resources to ensure that gross investment in non-Treasury investments does not exceed the prudential levels specified (Appendix 2, Annex 7).

5. That the County Council delegate authority to the Strategic Director for Resources to undertake delegated responsibilities in respect of both strategies (Appendix 1, Annex 7, and Appendix 2, Section 2.5).

6. That the County Council requires the Strategic Director for Resources to implement the Minimum Revenue Provision (MRP) Policy (Appendix 1, Section 2.4).

1 Executive Summary

1.1 The Council operates firm controls around making and financing investments due to the risks involved. The Council operates a Treasury Management Strategy to govern treasury investments and an Investment Strategy to cover Non-Treasury investments, and both of these policies must be approved by Council.

1.2 The Council has developed a proposal to implement a Warwickshire Recovery Investment Fund (WRIF), which is designed to provide finance to support business start-ups and business growth within Warwickshire and to support the Council's strategic goals and priorities as set out in the Warwickshire Council Plan 2025, Covid 19 Recovery Plan, Economic Strategy, Commercial Strategy, and Play Shaping Programme.

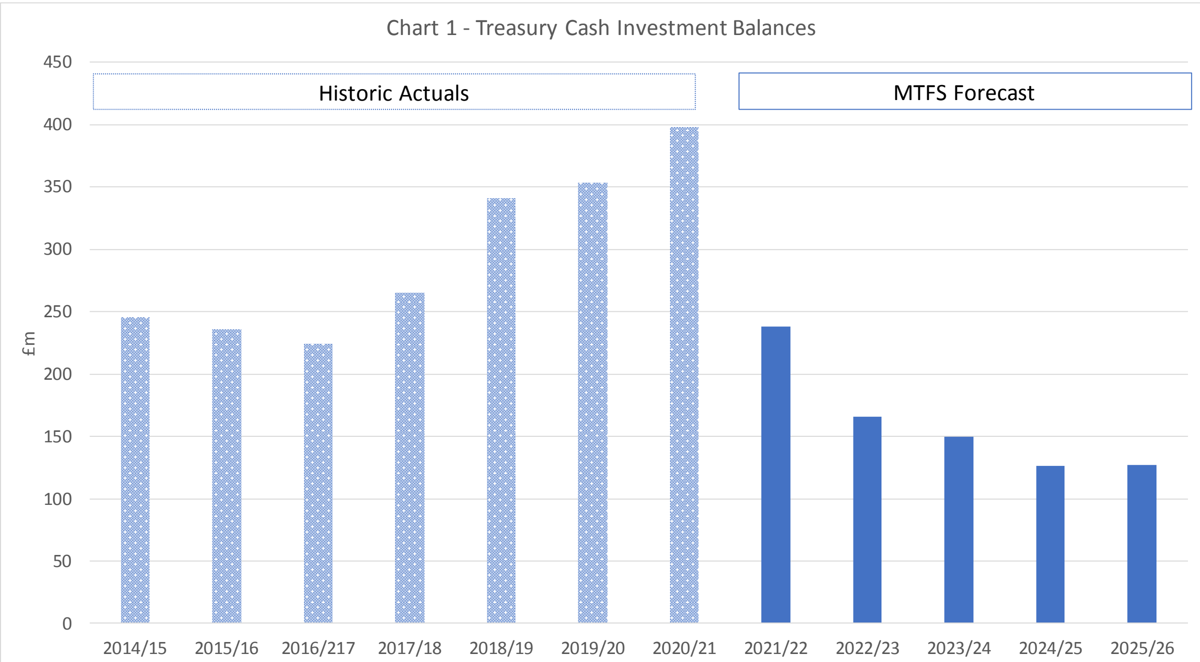
1.3 The details of the WRIF are set out within a report elsewhere on the agenda.

1.4 This report (considered and endorsed by Cabinet on 17 June 2021) presents an updated Treasury Management Strategy and Investment Strategy with the primary purpose of enabling the creation of the WRIF and ensuring appropriate overarching controls are in place to manage risk.

1.5 In addition, the opportunity is being taken to make some other minor updates to these policies. The policy documents are presented at Appendix 1 and Appendix 2 and each policy covers holistically all investment activity, including and incorporating the proposals for the WRIF. This covering report however focuses on explaining the changes to the policies.

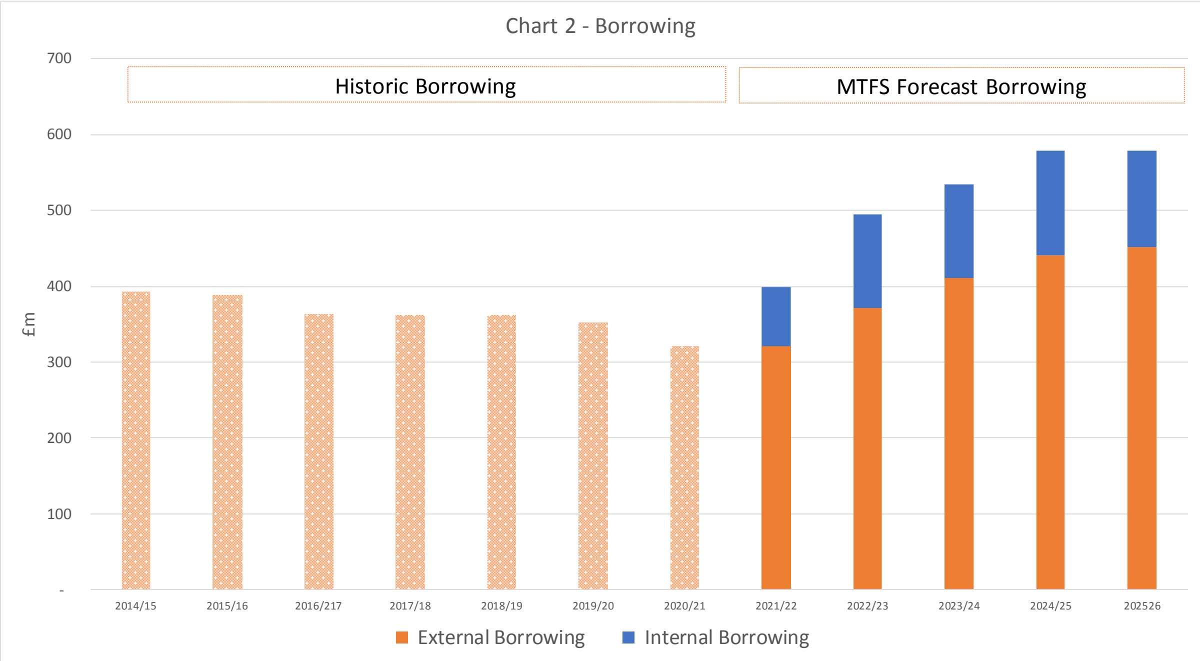
Cash Balances

1.6 This update to the strategy introduces a formal minimum cash balance of £125m. Previously there was no formal minimum but for comparison the low point of previous forecast cash balances was £150m. £125m would be a more efficient floor and would still facilitate adequate cash balances to manage operations and manage risk:



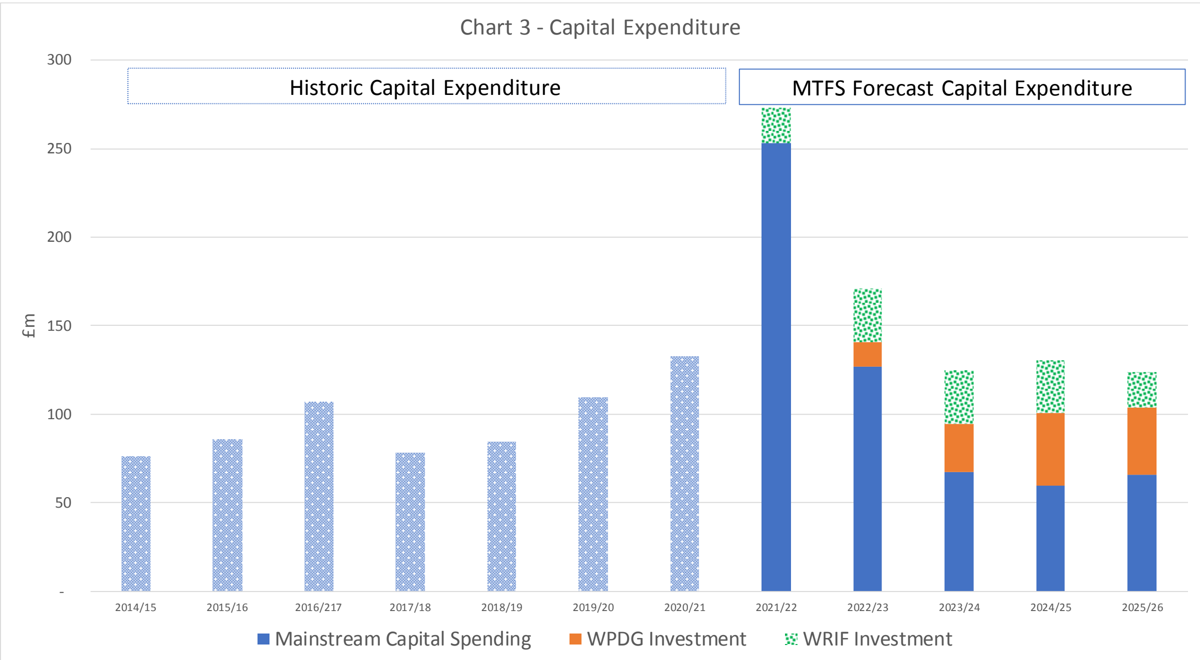
Internal Borrowing

2.1 "Internal borrowing" (also called "under borrowing") whereby the Council makes use of cash balances where they are available in order to reduce the amount of external borrowing required to support new investment because internal borrowing is cheaper (Appendix 1, Table 7) will increase due to the WRIF, as will overall borrowing. Chart 2 summarises the borrowing forecast and shows how a part of that increase will be through internal borrowing.



Total Borrowing

2.2 Total borrowing, also referred to as the Capital Financing Requirement or CFR (Appendix 1 Table 4) is forecast to increase as a result of the addition of the WRIF, as illustrated below.



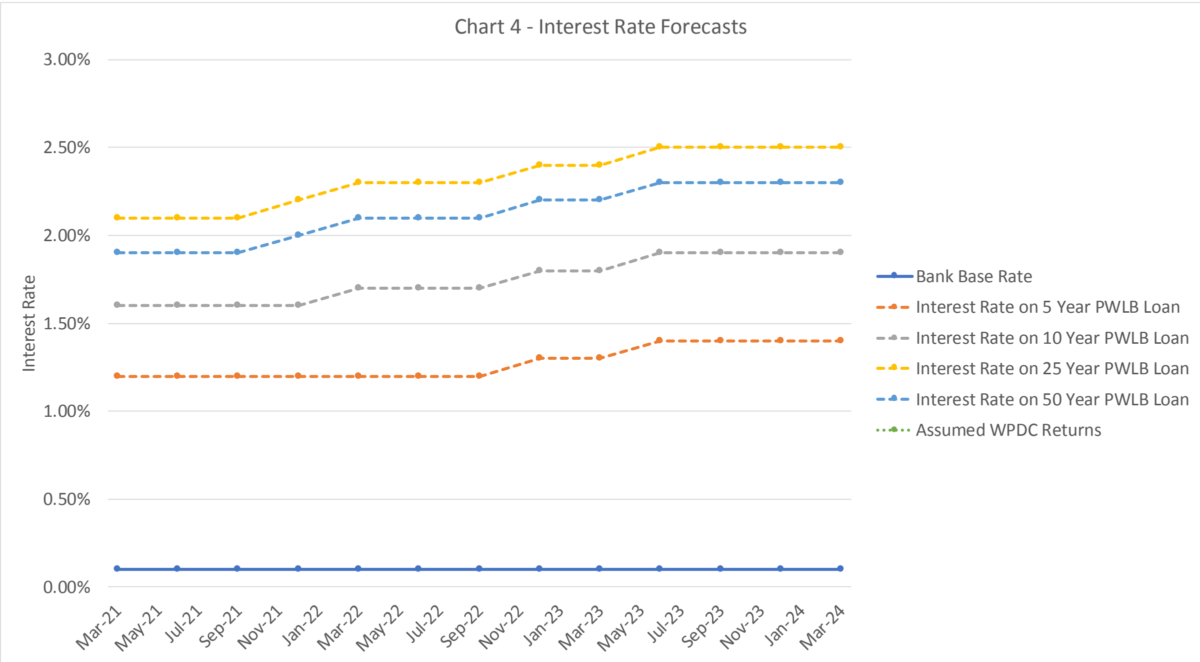
Note: WPDG – Warwickshire Property Development Group

Minimum Revenue Provision

2.3 The Council sets aside a minimum amount of revenue resources each year in order to be able to repay debt, called the Minimum Revenue Provision or MRP. The MRP policy will continue to reflect assumed underlying asset life, equating overall to 25 years , which equates to setting aside 4% per year. The MRP policy is set out at Appendix 1 Section 2.4.

Interest Rates

2.4 Interest rates have risen slightly but continue to be low and the outlook remains low with the bank rate forecast to stay at 0.1% for the next few years. The rates at which local authorities can borrow from the Public Works Loan Board (PWLB) are also low, in the range 0.2% to 2.5% for durations from 5 years to 50 years and are only expected to rise slowly over the medium term (Appendix 1, Section 3.3). The latest forecasts are set out in the chart below.



2.5 WRIF investments will provide returns in the range 5% to 15% commensurate with risk, therefore the Council will earn a net positive return on WRIF investments because it is possible to finance the investments at a lower cost than the financial return, However higher returns are associated with higher risk.

Borrowing

2.6 A key issue will be to ensure that the Council maintains access to PWLB rates (although alternatives will also be considered when borrowing is required to ensure best value is achieved). The WRIF Investment Strategy sets out the objectives of the Fund and these align with PWLB criteria. This means PWLB financing will be an option for WRIF investment.

2.7 Limits for borrowing have been updated based upon expected levels of WRIF investment, including an “Authorised Borrowing Limit” which cannot be exceeded (Appendix 1 Table 10).

Treasury Investments

2.8 The facility to make loans to other local authorities has been updated to enable loans of up to 18 months rather than 12 months (Appendix 1 Section 4.3). This will enable a higher volume of opportunities and therefore improve the opportunities to secure better deals and get the best value for money when lending.

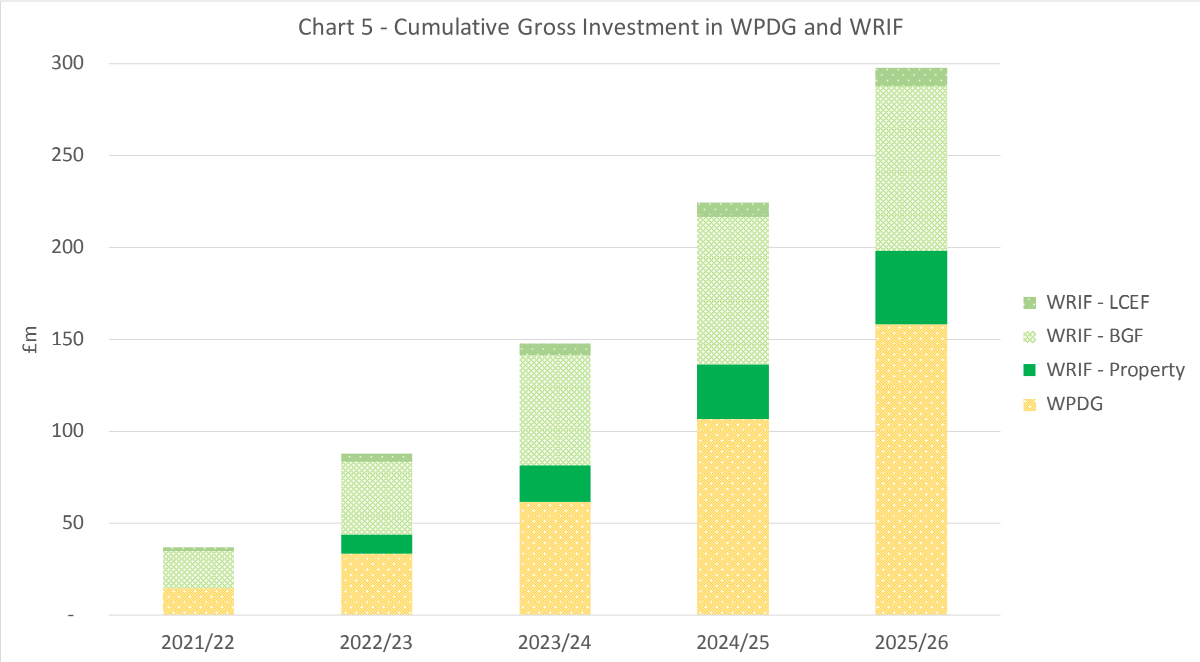
2.9 The limits for loans to local authority controlled companies have been increased to provide some headroom and avoid the need for Council approval should there be small changes in the need to lend (Appendix 1 Annex C4.2).

2.10 The limits on the maturity structure of any debt taken out have been updated to provide more flexibility (Appendix 1, Annex 1). This change allows the flexibility for a greater proportion of debt to be taken out over shorter timescales if this is appropriate.

3 Investment Strategy (Non-Treasury Investments - Appendix 2) – Headlines

New Investments

3.1 The Warwickshire Property Development Group (WPDG) business plan commits to £160m of investment and the WRIF adds a further £140m of non-treasury investment by 2025/26.



Note BGF – Business Growth Fund, LCEF – Local Communities Enterprise Fund

Risk

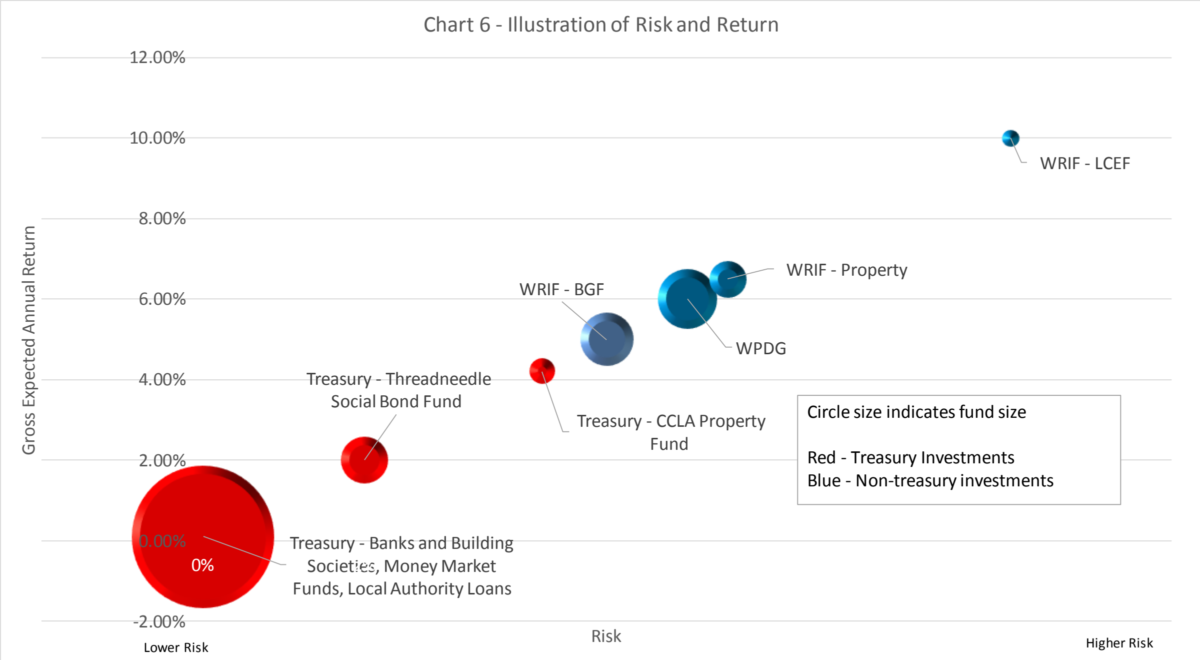
3.2 Any investment involves risk, with the risks depending upon the nature of the investment. A range of strategic governance and risk management standards are set out throughout the Investment Strategy which all non-treasury investments must adhere to (but refer to Appendix 2 Annex 2 – Annex 4 in particular). In addition, more detailed requirements may be determined for specific funds and incorporated into the approval of those funds.

3.3 Investment risk and return are directly linked, with higher risks typically being rewarded by higher returns. How financial risk actually manifests itself varies with the type of investment, for example equity risk manifests in the form of share price volatility, and lending risk manifests in the form of loan repayment default.

3.4 The WRIF is being set up with 3 sub-funds that have different risk profiles and the expected returns vary in accordance with risk (higher risks equating to higher returns). The WRIF as a whole is higher risk than traditional treasury management investments and some aspects of the WRIF are higher risk than others. The sub funds are:

- Property Fund –lower risk due to the likelihood of relating to larger and more established businesses and investment in an asset (property) that can provide some collateral.
- Business Growth Fund –lower risk as this will be larger loans to larger more established businesses.
- Local Communities Enterprise Fund – higher risk as this will relate to smaller organisations and start-ups with less likelihood of security.

3.5 The chart below illustrates schematically the spectrum of risk (by simply showing risk as being in direct proportion to return) and this shows how non-treasury investments are higher risk.

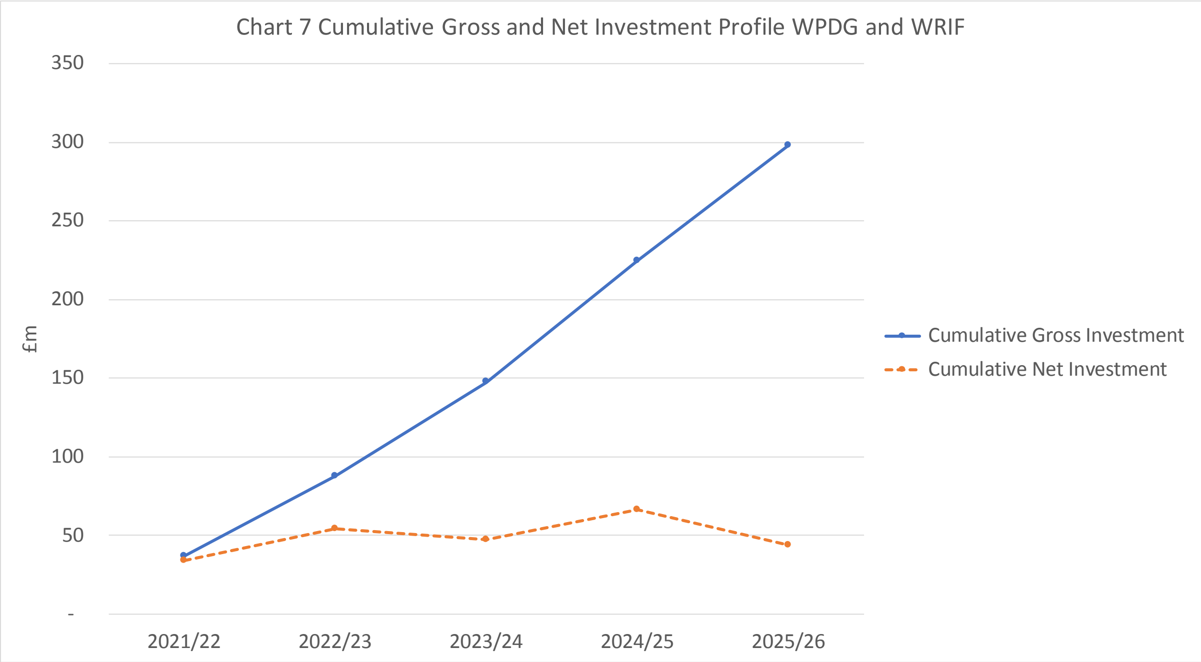


3.6 A key feature of managing risk will include having arrangements to manage the risk of losses (where investments are not repaid). The WRIF business plan and investment strategy have regard to risk management and this includes minimising losses but also expecting a certain degree of losses (no investment is 100% guaranteed to pay back).

3.7 Aside from the risks associated with any particular individual investments, another type of risk is addressed by the Investment Strategy called “proportionality” (Appendix 2 Section 9). This is to do with the overall aggregate level of investment and exposure to loss, in particular in comparison to the size and financial capacity of a local authority to bear the losses that it is exposed to. The issue of proportionality will be monitored and proportionality measures may be used in the future to put limits on investment activity. The introduction of the WRIF increases the exposure to proportionality risk but in return it provides the opportunity to meet certain service objectives.

Prudential Indicators

3.8 The Investment Strategy has been updated to have regard to the proposed WRIF investments, including the introduction of Prudential Indicators (Appendix 2 Annex 7) that place limits on gross and net investment:



3.9 This shows how anticipated repayment of investments over time means the net exposure to risk is kept lower than the gross investment figures. The gross amount that may be invested in each fund annually is a hard ceiling as set out in Appendix 2 Annex 7. The net level of investment will be monitored (i.e. after accounting for repayment of previous investments). If the annual net position is breached due to repayment defaults, this would trigger a review of future gross investment limits.

3.10 In addition, the following more detailed limits will be applied to manage WRIF investment risk (Appendix 2 Annex 7).

- The amount that can be invested in each sub-fund.
- The length of time that investments may be made for.
- The amount of a fund that may be equity in nature.
- The maximum investment that may be made in a single counter party.

3.11 The “Authorised Borrowing Limit” set within the Treasury Management Strategy (Appendix 1, Table 10) includes borrowing required to service WRIF investments.

Governance

3.12 The WRIF Business Plan and Investment Strategy set out detailed governance arrangements, and these arrangements are designed to meet the requirements of the overarching Council Investment Strategy.

4 Financial Implications

4.1 The financial implications are detailed within the report and appendices.

5 Environmental Implications

5.1 Both strategies include an "Environmental Social and Governance" (ESG) policy. The primary objectives of treasury management will however remain security, liquidity, and yield, with non-treasury investments also including the delivery of organisational service objectives.

6 Supporting Information

6.1 None.

7 Timescales Associated with Next Steps

7.1 The Treasury Management Strategy and Investment Strategy will come into immediate effect once approved by Council.

Appendices

- Appendix 1 - Treasury Management Strategy
- Appendix 2 - Investment Strategy (for Non Treasury Investments)

Background Papers

None

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The report was considered previously by Cabinet.

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Appendix 1

Treasury Management Strategy Statement

Warwickshire County Council

2021/22

Index

1 Introduction

1.1 Background

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

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

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.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities. These are separate from day to day treasury management activities and are covered by a separate Investment Strategy.

1.2 Reporting requirements

1.2.1 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.

1.2.2 Capital Strategy and Investment Strategy

The Treasury Management Strategy Statement (TMSS) interacts with both the Capital Strategy and the Investment Strategy.

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 the capital strategy is to ensure that there is a robust strategy that meets organisational objectives with appropriate governance arrangements, and that the strategy is transparent and understandable to elected members.

The Capital Strategy is reported separately, and the headline capital financing requirements (the need to borrow) feed into this Treasury Management Strategy.

Investment Strategy

The Council is required to set out separately an Investment Strategy (IS) in relation to non-treasury investments. Non-treasury investments must consider security, liquidity, and yield, however the relative priority of these 3 factors does not have to follow treasury management principles as non-treasury investments are by their nature not intended to deliver treasury management objectives.

The Council's Investment Strategy is a separate document, however it does interrelate with the Treasury Management Strategy and Capital Strategy.

The table below summarises these different strategies.

Capital Strategy	Treasury Management Strategy – including Treasury Investment Strategy	Investment Strategy
Traditional capital expenditure to directly meet service objectives.	Management of cash and debt to service the delivery of day to day operations and the long-term financing of investments.	Non-treasury investments with the primary objective of meeting service objectives.

1.3 Treasury Management Strategy for 2021/22

The strategy for 2021/22 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, the CIPFA Prudential Code, Ministry of Housing, Communities and Local Government (MHCLG) MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

1.4 Treasury management consultants

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

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 external service providers.

The Council 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.

The scope of investments within the Councils operations includes treasury, service and commercial investments. Specialist advice is sought as appropriate for the undertaking of different types of investment.

2 Prudential Indicators

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

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. More detail is provided in the Capital Strategy, the high-level headlines are reproduced below:

Table 1 – Total Capital Programme

£m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital Expenditure	132.528	253.196	127.106	67.427	59.451	65.628
Non-Treasury Investment WPDG*	0.000	0.000	13.716	27.216	41.153	38.015
Non-Treasury Investment WRIF*	0.000	20.000	30.000	30.000	30.000	20.000
Total	**132.528**	**273.196**	**170.822**	**124.643**	**130.604**	**123.643**

***WPDG Warwickshire Property and Development Group**

***WRIF Warwickshire Recovery and Investment Fund**

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 need to borrow.

Table 2 – Financing of Capital Expenditure

£m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital receipts	(28.613)	(15.292)	(3.907)	0.000	0.000	0.000
Capital grants	(104.022)	(121.912)	(44.949)	(23.014)	(22.739)	(22.739)
Self Financed Borrowing	1.919	(0.995)	0.000	0.000	0.000	0.000
Revenue	(1.811)	(1.133)	0.000	0.000	0.000	0.000
Sub Total - General Capital Programme Funding	(132.528)	(139.332)	(48.857)	(23.014)	(22.739)	(22.739)
Capital Receipts from WPDG	0.000	0.000	(0.038)	(25.972)	(22.966)	(60.557)
Capital Receipts from WRIF	0.000	(2.350)	(10.112)	(16.375)	(19.698)	(17.054)
Sub Total - WPDG and WRIF Investment Related Income	0.000	(2.350)	(10.150)	(42.347)	(42.664)	(77.610)
Total Capital Funding/Income	(132.528)	(141.682)	(59.007)	(65.361)	(65.403)	(100.349)
Total Capital Expenditure	132.528	273.196	170.822	124.643	130.604	123.643
Net financing need for the year	**0.000**	**131.514**	**111.816**	**59.282**	**65.201**	**23.294**
Minimum Revenue Provision (MRP)	(11.396)	(10.941)	(15.763)	(19.606)	(21.193)	(22.953)
Borrowing Requirement	**(11.396)**	**120.573**	**96.052**	**39.677**	**44.009**	**0.341**

** MRP is a revenue provision made each year to contribute towards financing costs, so reducing the need for new borrowing

The net financing need split between capital expenditure and non-treasury investments is shown below in order to show the relative scale of non-treasury investment.

Table 3 – Financing of Non-Treasury Investments

£m	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
WPDG Capital Investment	0.000	13.716	27.216	41.153	38.015
Less: WDPG Related Receipts and Repayments	0.000	(0.038)	(25.972)	(22.966)	(60.557)
WRIF Capital Investment	20.000	30.000	30.000	30.000	20.000
Less: WRIF Related Receipts and Repayments	(2.350)	(10.112)	(16.375)	(19.698)	(17.054)
Net financing need for the year	**17.650**	**33.566**	**14.869**	**28.489**	**(19.595)**
Percentage of total net financing need %	100.0%	30.0%	25.1%	43.7%	0.0%

Further details in respect of non-treasury investments are set out in a separate Investment Strategy document.

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

The Capital Financing Requirement (CFR) represents capital expenditure financed by external debt and not by capital receipts, revenue contributions, capital grants or third-party contributions at the time of spending. The CFR measures the Authority's underlying need to borrow externally for a capital purpose.

Table 4 – Capital Financing Requirement

£m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2023/24 Estimate	2025/26 Estimate
CFR – Capital Programme	278.297	381.220	443.706	468.514	484.034	503.970
CFR - WPDG	0.000	0.000	13.678	14.922	33.109	10.567
CFR - WRIF	0.000	17.650	37.538	51.163	61.465	64.412
Total CFR	**278.297**	**398.870**	**494.922**	**534.599**	**578.608**	**578.948**
Movement in CFR - Capital Programme		102.923	62.486	24.808	15.520	19.936
Movement in CFR - WPDG		0.000	13.678	1.243	18.187	(22.542)
Movement in CFR - WRIF		17.650	19.888	13.625	10.302	2.946
Movement in CFR - Total		**120.573**	**96.052**	**39.677**	**44.009**	**0.341**
Movement in CFR represented by						
Net financing need for the year	0.000	131.514	111.816	59.282	65.201	23.294
Less MRP and other financing movements	(11.396)	(10.941)	(15.763)	(19.606)	(21.193)	(22.953)
Movement in CFR net of MRP	**(11.396)**	**120.573**	**96.052**	**39.677**	**44.009**	**0.341**

*The MRP calculation is explained in section 2.4 of this report.

The CFR is increasing significantly as a result of general capital programme plans plus new non-treasury investment plans.

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.

Table 5 – Expected Investments

£m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Fund balances / reserves	193.023	186.200	160.200	143.200	134.200	125.200
Capital receipts	20.200	0.000	0.000	0.000	0.000	0.000
Other	4.300	4.300	4.300	4.300	4.300	4.300
Total core funds	**217.523**	**190.500**	**164.500**	**147.500**	**138.500**	**129.500**
Working capital	137.000	125.000	125.000	125.000	125.000	125.000
(Under)/over borrowing	43.109	(77.464)	(123.516)	(123.193)	(137.202)	(127.542)
Expected treasury investments	**397.632**	**238.036**	**165.984**	**149.307**	**126.298**	**126.958**

2.4 Minimum Revenue Provision (MRP) Policy

Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. It would be impractical to charge the entirety of such expenditure to revenue in the year in which it was incurred and so such expenditure is spread over several years so as to try to match the years over which such assets benefit the local community through their useful life. The manner of spreading these costs is through an annual Minimum Revenue Provision (MRP).

The MRP should be designed to make prudent provision to redeem debt liabilities over a period which is reasonably commensurate with the associated capital expenditure benefits.

Having regard to these requirements, the MRP provision will be calculated as set out below.

2.4.1 MRP for Capital Programme Expenditure

The MRP provision will be calculated on the average remaining useful life of the Council's asset portfolio. We will calculate and apply the remaining useful life over two categories of asset:

- Land, buildings and infrastructure;
- Vehicles, plant and equipment and intangible assets.

The proportion of debt outstanding in each category of asset will be determined by the value of assets included in the balance sheet at the end of each financial year.

The 2020 review shows that the remaining useful life of our assets is now 22 years. By using an average life of 25 years for our assets equates to an annual provision of 4% straight line MRP.

For vehicles, plant and equipment, the remaining useful life is assumed to be 6 years e.g. 5 years average remaining useful life will result in 20% straight line MRP.

2.4.2 MRP for the Warwickshire Property Development Group (WPDG)

Unlike mainstream capital spending where provision for purchase of replacement assets has to be made in order to have funding available for replacement assets, expenditure (investment) in the WPDG will at a later date be repaid in full.

It is possible to assume that these repayments of principal amount to the necessary revenue provision. However, there is a risk that repayment of principal is not made, or not made in full. In order to mitigate this risk the MRP policy for the WPDG will be to make a provision as follows:

- No MRP will be charged to the revenue account on any equity land or asset transfers into Wholly Owned subsidiaries.
- No MRP will be charged on working capital loans. Any anticipated impairments will be treated following the relevant accounting standards (namely IFRS9 - Financial Instruments), and not charged through the capital financing regime.
- MRP on development loans made to DevCo (a subsidiary of WPDG) will be charged over 25 years of equivalent to 4% per year, in line with the existing MRP policy for the capital programme.
- MRP on loans to ManCo (a subsidiary of WPDG for purchase of assets from DevCo) will be charged to the revenue account over 25 years (4% per year) in order to match the repayment profile of senior lending and operating life of those assets.
- Any capital receipts then received as repayment of the loan principal from ManCo and Dev Co will be used to offset “traditional” borrowing requirements for financing the wider capital programme.

2.4.3 MRP for the Warwickshire Recovery Investment Fund (WRIF)

Unlike mainstream capital spending where provision for purchase of replacement assets has to be made in order to have funding available for replacement assets, expenditure (investment) in the WRIF will at a later date be repaid in full.

It is possible to assume that these repayments of principal amount to the necessary revenue provision. However, there is a risk that repayment of principal is not made, or not made in full. In order to mitigate this risk the MRP policy for the WRIF will be to make a provision as follows:

- MRP on WRIF loans that are capital in nature will be 4% per year. This aligns with the intention for MRP to be associated with the underlying asset life rather than the duration of the loan.

- Any capital receipts then received as repayment of the loan principal from WRIF will be used to offset “traditional” borrowing requirements for financing the wider capital programme.

2.4.4 MRP Calculation

The actual calculation of MRP will be based on the [Total Capital Financing Requirement x 4%]. This is deemed to be a prudent overall level of provision based upon the requirements set out above.

The Council has the option to directly and specifically link internal borrowing to specific investments and where this is the case a MRP would not be made. This would mean that repayments associated of the loan would not be capital and would therefore not be ringfenced to financing capital spending. Any anticipated impairments will be treated following the relevant accounting standards (namely IFRS9 - Financial Instruments), and not charged through the capital financing regime. However, the default position is that specific funding sources are not directly linked to specific investments therefore an express decision to link specific funding to a specific investment would need to be made for this to happen.

3 Borrowing

Capital expenditure plans are set out in detail in the Capital Strategy. The treasury management function ensures that the Council's cash is managed in accordance with the relevant professional codes, so that sufficient cash is available to meet the Council's capital strategy and revenue service activity. 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 treasury investment strategy.

The council currently holds an over borrowed position (meaning external borrowing is greater than the total capital financing requirement), however this is forecast to change based on capital expenditure plans in the coming years. The need for further borrowing will be kept under review.

3.1 Current portfolio position

The overall treasury management portfolio as at 31st March 2020 and 31st December 2020 are shown below for both borrowing and investments.

Table 6 Investment and Borrowing Portfolio

Treasury Portfolio				
	actual 31.03.2020 £m	actual 31.03.2020 %	**actual 31.03.2021 £m**	**actual 31.03.2021 %**
Treasury investments				
Banks	-	0%	20.021	5%
Building Societies	-	0%	50.004	13%
Local Authorities	175.222	47%	128.157	32%
DMADF (H.M.Treasury)	29.000	8%	-	0%
Lloyds Secondary Account and Cash	38.833	10%	5.004	1%
Subtotal - managed in house	**243.055**	**65%**	**203.186**	**51%**
Money Market Funds	88.779	24%	148.702	38%
CCLA Property Fund	10.285	3%	10.211	3%
Columbia Threadneedle Social Bond Fund	32.125	9%	33.520	8%
Subtotal - managed externally	**131.189**	**35%**	**192.433**	**49%**
Total treasury investments	**374.244**	**100%**	**395.619**	**100%**
Treasury external borrowing				
PWLB	342.000	100%	321.406	100%
Total external borrowing	**342.000**		**321.406**	
Net treasury investments / (borrowing)	**32.244**		**74.213**	

Annex 2 sets out the current maturity profile of investments held, and the borrowing portfolio. Currently there is a significant concentration of debt maturities across the period 2050-2060.

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.

Table 7 – External Debt Forecast

£m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
External Debt						
Debt at 1 April	341.406	321.406	321.406	371.406	411.406	441.406
New Debt			50.000	40.000	30.000	10.000
Debt Repaid	- 20.000		-	-	-	
Other long-term liabilities (OLTL)	-	-	-	-	-	-
Expected change in OLTL	-	-	-	-	-	-
Actual gross debt at 31 March	**321.406**	**321.406**	**371.406**	**411.406**	**441.406**	**451.406**
The Capital Financing Requirement	278.297	398.870	494.922	534.599	578.608	578.948
Under / (over) borrowing	**- 43.109**	**77.464**	**123.516**	**123.193**	**137.202**	**127.542**

Internal Debt

The Council will seek to hold efficient levels of cash and will therefore run down external investment balances and use cash to finance a share of the Capital Financing Requirement. This is referred to as internal borrowing and when implemented it will improve our annual net interest costs, as the loss of interest on investment is currently lower than the cost of interest on external loans. The level of internal borrowing will be kept under review to ensure that the level of total treasury investments (a liquidity buffer) does not fall below £125m.

Table 8 – Internal Debt Forecast

£m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
External Debt	321.406	321.406	371.406	411.406	441.406	451.406
Internal Debt (internal borrowing)	-	77.464	123.516	123.193	137.202	127.542
Internal borrowing as % of CFR	**0.0%**	**19.4%**	**25.0%**	**23.0%**	**23.7%**	**22.0%**

Where it is deemed appropriate to add to the level of current external loan finance, any risks associated with such borrowing will be subject to prior appraisal (including borrow now or borrow later analysis) and subsequent reporting through the mid-year or annual reporting mechanism.

The prudential indicators set out 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 2021/22 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 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 report.

3.2 Treasury Prudential Indicators: limits to borrowing activity

The operational boundary. This is the limit 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 borrowing by other cash resources.

Table 9 – Operational Boundary

£m	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
External Debt	321.406	398.870	494.922	534.599	578.608	578.948
Total	**321.406**	**398.870**	**494.922**	**534.599**	**578.608**	**578.948**

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:

Table 10 – Authorised Borrowing Limit

£m	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
External Debt	386.000	479.000	594.000	642.000	694.000	695.000
Total	**386.000**	**479.000**	**594.000**	**642.000**	**694.000**	**695.000**

Note that the net debt position is affected by capital receipts and the repayment of debt principal. Where income such as this is not received, the requirement to borrow is increased. For non-treasury investments, where all investments are expected to be repaid ultimately, it is possible for non-repayment of investments to result in the authorised limit being reached and no further borrowing being possible. This mechanism limits exposure to risk.

The chart below illustrates the relationship between actual debt, the CFR, and the prudential limits.

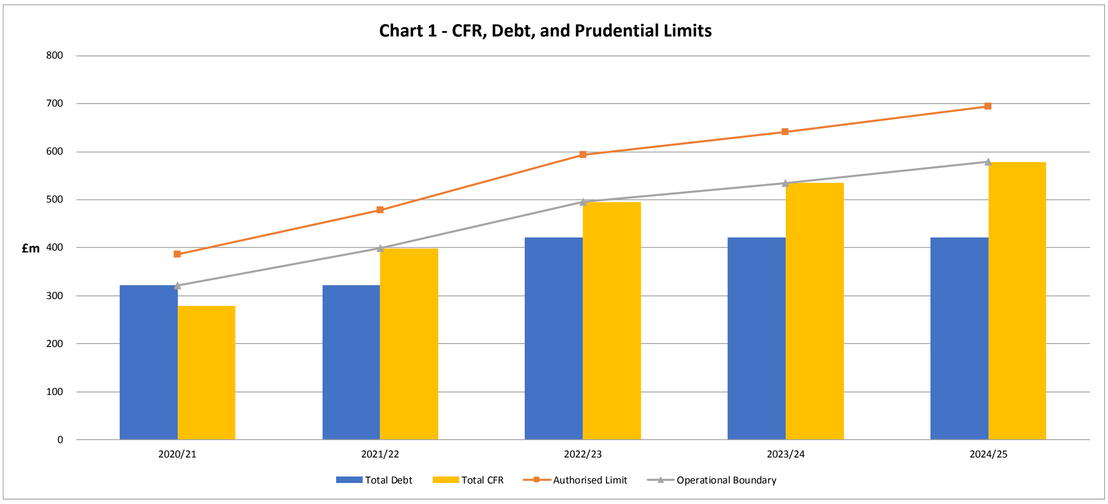


Chart 1 - CFR, Debt, and Prudential Limits
£m
800
700
600
500
400
300
200
100
0
2020/21
2021/22
2022/23
2023/24
2024/25
Total Debt
Total CFR
Authorised Limit
Operational Boundary

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 9.2.21. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View	8.3.21												
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.40	1.40	1.40	1.40
10 yr PWLB	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.90	1.90	1.90	1.90
25 yr PWLB	2.10	2.10	2.10	2.20	2.30	2.30	2.30	2.40	2.40	2.50	2.50	2.50	2.50
50 yr PWLB	1.90	1.90	1.90	2.00	2.10	2.10	2.10	2.20	2.20	2.30	2.30	2.30	2.30

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it subsequently left Bank Rate unchanged at its subsequent meetings, including its last meeting on 4th February 2021, although some forecasters had suggested that a cut into negative territory could happen. However, at that last meeting, we were informed that financial institutions were not prepared for implementing negative rates. The Monetary Policy Committee (MPC), therefore, requested that the Prudential Regulation Authority require financial institutions to prepare for such implementation if, at any time in the future, the MPC may wish to use that as a new monetary policy tool. The MPC made it clear that this did not in any way imply that they were about to use this tool in the near future. As shown in the forecast table above, no increase in Bank Rate is expected in the near-term as it is unlikely that inflation will rise sustainably above 2% during this period so as to warrant increasing Bank Rate.

3.4 Gilt yields / PWLB rates

Pre the pandemic. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was a heightened expectation that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc.

The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin was that bond prices were elevated as investors would have been expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

March 2020 crisis. Gilt yields had, therefore, already been on a generally falling trend up until the coronavirus crisis hit western economies during March 2020. After gilt yields spiked up in March 2020, we have subsequently seen these yields fall sharply to unprecedented lows as investors panicked during March 2020 in selling shares in anticipation of impending recessions in western economies, and moved cash into safe haven assets i.e. government bonds. However, major western central banks took rapid action to deal with excessive stress in financial markets during March, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in "normal" times would have caused bond yields to rise sharply.

April 2020 to date. Gilt yields and PWLB rates were at remarkably low rates during the first three quarters of 2020/21. However, since the start of 2021 there has been a major swing of sentiment in financial markets which are now focused on the increased risks of rising inflation in the US as a result of the victory of the Democrats in the US Presidential and Congress elections. In addition to the passing of a $900bn stimulus package in December (pre-Biden), the new administration has subsequently pushed through another $1.9 trn coronavirus rescue package in March 2021 which provides additional shorter term stimulus to economic recovery. This could be followed in late 2021 by a longer term $2trn 10 year infrastructure renewal package. There are widespread concerns that all this stimulus on top of that already provided by the Fed with its quantitative easing (QE) purchases of $120bn of bonds per month, could rapidly eliminate excess capacity in the economy during 2021 and so drive up asset prices as buyers compete for scarce resources. In previous years, this would have caused the Fed to counter rising inflation by tapering or stopping QE purchases, and/or raising the Fed Rate so as to cool the economy down. However, the Fed has repeatedly made clear since September 2020, that its new average inflation targeting policy means that it will tolerate transitory peaks of inflation above its inflation target of 2% to counter balance periods when inflation has been below its target. It has also emphasised that it now has a wider mandate beyond just inflation, in terms of targeting full employment across all sectors of society, including disadvantaged sectors. There is, therefore, tension in financial markets about how this is all going to work out in practice and during Q1 2021, bond yields have risen significantly in anticipation that the time is drawing closer when the Fed will have to start tapering its own stimulus programme of QE purchases of bonds. There is currently no sign that the Fed will take any action to suppress this rise in bond yields, though that remains a potential option if they were to rise further significantly.

During 2021, a sharp rise in US bond yields has caused bond yields to rise in many western countries. However, in the UK, the MPC meeting of 4th February ruled out the use of negative interest rates for at least six months and was optimistic in its forecasts of economic recovery. This gave an earlier impetus to rises in gilt yields which have also risen more than in Europe as a result of economic recovery being expected earlier in the UK. The UK Budget will also have added further optimism to the prospects of the domestic economic recovery in the UK. Meanwhile, the avoidance of a "no deal" Brexit at the close of 2020 had also removed some market concerns over the economic outlook.

Forecasts for PWLB rates. As the interest forecast table for PWLB certainty rates above shows, there is expected to be little upward movement in PWLB rates over the next two years as government bond yields of major countries around the world are expected to rise little during this time in an environment where central bank policy rates are also expected to remain low for some years; this is the result of a change of inflation targeting policy of central banks to one based on average inflation over a number of years, (see appendix 5.3 for further explanation). From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment, (as shown on 9th November 2020 when the first results of a successful COVID-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period.

3.5 Investment and Borrowing Rates

- **Investment returns** are likely to remain exceptionally low during 2021/22 with little increase in the following two years.

- **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: indeed, gilt yields up to 6 years were negative during most of the first half of 20/21. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. The unexpected increase of 100 bps in PWLB rates on top of the then current margin over gilt yields of 80 bps in October 2019, required an initial major rethink of local authority treasury management strategy and risk management. However, in March 2020, the Government started a consultation process for reviewing the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure. *(Please note that Link has concerns over this approach, as the fundamental principle of local authority borrowing is that borrowing is a treasury management activity and individual sums that are borrowed are not linked to specific capital projects.)* It also introduced the following rates for borrowing for different types of capital expenditure: -

    - **PWLB Standard Rate** is gilt plus 200 basis points (G+200bps)
    - **PWLB Certainty Rate** is gilt plus 180 basis points (G+180bps)
    - **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)

- As a consequence of these increases in margins, many local authorities decided to refrain from PWLB borrowing unless it was for HRA or local infrastructure financing, until such time as the review of margins was concluded.

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

- **Borrowing for capital expenditure.** As Link's long-term forecast for Bank Rate is 2.00%, and all PWLB rates are under 2.00%, there is now value in borrowing from the PWLB for all types of capital expenditure for all maturity periods, especially as current rates are at historic lows. However, greater value can be obtained in borrowing for shorter maturity periods so the Council will assess its risk appetite in conjunction with budgetary pressures to reduce total interest costs. Longer-term borrowing could also be undertaken for the purpose of certainty, where that is desirable.

3.6 Borrowing strategy

The Council is currently maintaining an over-borrowed position. This means that more external borrowing exists than is necessary which results in higher cash balances being held by the council. However the borrowing position is forecast to change based on the capital expenditure planned over the next 5 years and beyond, switching to an "under-borrowed" position. This is planned in order to make efficient use of cash balances. By, in effect, borrowing from internal balances the cost of borrowing is lower than borrowing from an external lender.

Against this background and the risks within the economic forecast, caution will be adopted with the 2021/22 treasury operations. Interest rates will be monitored in financial markets and a pragmatic approach taken 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. Fixed rate funding would be likely to be drawn if interest rates are considered to be lower than they are projected to be in the next few years.

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

With the current over-borrowed position, but also being mindful of the volatile economic outlook for 2021/22 the following assumptions will be adopted in the borrowing strategy:

- The cheapest borrowing will be internal borrowing by running down cash balances and foregoing interest earned at historically low rates.
- Internal borrowing will be weighed against potential long-term costs that will be incurred if market loans at long term rates are higher in future years.
- Long term fixed rate market loans at rates significantly below PWLB rates will be considered where available, to ensure the best rates and to maintain an appropriate balance between PWLB and market debt in the debt portfolio. A list of the possible sources of borrowing is detailed in point 3.7.
- PWLB borrowing for periods under ten years will be considered where rates are expected to be significantly lower than rates for longer periods. This offers a range of options for new borrowing which will spread debt maturities away from a current concentration in longer dated debt.

- To ensure that the Council considers all options to secure long term certainty, the Council may also look to make use of forward starting loans as this will allow us to lock into a known financing rate out of a future date. These loans tend to be offered by Financial institutions (primarily insurance companies and pension funds but also some banks, where the objective is to use the forward loan with a mix of internal loans/temporary borrowing to avoid a "cost of carry" or to achieve refinancing certainty over the next few years).

3.7 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.

However, the Council may borrow in advance of need for risk management or borrowing efficiency purposes. In determining whether borrowing will be undertaken in advance of need, the Council will:

- Ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to fund in advance of need;
- Ensure the ongoing revenue liabilities created, and the implications on future plans and budgets have been considered;
- Evaluate the economic and market factors that might influence the manner and timing of any decision;
- Consider the merits and demerits of alternative forms of funding;
- Consider the alternative interest rate bases available, the most appropriate time periods and repayment profiles;
- Consider the impact of temporarily increasing cash balances until cash is required to finance capital expenditure, and the consequent increase in exposure to counterparty and other risks.

3.8 Debt Rescheduling

As short-term borrowing rates are cheaper than longer term rates, there may be opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of their short-term nature and the cost of debt repayments. Reasons for debt rescheduling would include:

- The generation of cash savings and/or discounted cash flow savings;
- Helping to fulfil the strategy
- Enhancing the balance of the portfolio, for example reducing concentration of the debt maturity profile.

The option to make repayment of some external debt to the PWLB in order to reduce the difference between its gross and net debt position will be kept under review. However, the penalty premiums that would be incurred by doing so means there currently is no net financial benefit from such early repayment.

3.9 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 (possibly still a viable alternative depending on market circumstances prevailing at the time).

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

4 Annual Treasury Investment Strategy

4.1 Investment Policy

The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy and the Investment Strategy.

The Council's treasury investment policy has regard to the following: -
- MHCLG'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 treasury 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. In the current economic climate it is considered appropriate to keep investments shorter term to ensure cover for 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 MHCLG 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.

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 Annex 4 under the categories of 'specified' and 'non-specified' investments.

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

4.2 Creditworthiness Policy

The primary principle governing the Council's investment criteria is the security of its investments

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

  The Strategic Director for Resources will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary.

  Credit rating information is supplied by the Link Group, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing.

The criteria for providing a pool of high-quality investment counterparties, (both specified and non-specified investments) is:

- Banks - good credit quality **–** the Council will only use banks which:
  i. are UK banks
  ii. are non-UK and domiciled in a country which has a minimum sovereign Long Term rating of A-

  and have, as a minimum, the following Fitch Ratings:
  i. Short Term – F1
  ii. Long Term – A-
- Banks 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested.
- Building societies - The Council will use all societies which meet the ratings for banks outlined above;
- Money Market Funds (MMFs) CNAV – AAA
- Money Market Funds (MMFs) LVNAV – AAA
- Money Market Funds (MMFs) VNAV – AAA
- Property Funds - CCLA (refer to table D and E in annexes)
- Social Bond Funds - Threadneedle (refer to table D and E in annexes)
- Ultra-Short Dated Bond Funds with a credit rating of at least – AA
- Local authorities, parish councils (both spot and forward dates)
- Housing Associations

Use of additional information other than credit ratings. Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties.

The time and monetary limits for institutions on the Council's counterparty list are detailed in Annex 4.

Creditworthiness- Although the credit rating agencies changed their outlook on many UK banks from Stable to Negative during the quarter ended 30th June 2020 due to upcoming risks to banks' earnings and asset quality during the economic downturn caused by the pandemic, the majority of ratings were affirmed due to the continuing strong credit profiles of major financial institutions, including UK banks. However, during Q1 and Q2 2020, banks made provisions for *expected* credit losses and the rating changes reflected these provisions. As we move into future quarters, more information will emerge on *actual* levels of credit losses. (Quarterly earnings reports are normally announced in the second half of the month following the end of the quarter.) This has the potential to cause rating agencies to revisit their initial rating adjustments earlier in the current year. These adjustments could be negative or positive, although it should also be borne in mind that banks went into this pandemic with strong balance sheets. This is predominantly a result of regulatory changes imposed on banks following the Great Financial Crisis. Indeed, the Financial Policy Committee (FPC) report on 6th August revised down their expected credit losses for the UK banking sector to "somewhat less than £80bn". It stated that in its assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

All three rating agencies have reviewed banks around the world with similar results in many countries of most banks being placed on Negative Outlook, but with a small number of actual downgrades.

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. Nevertheless, prices are still elevated compared to end-February 2020. Pricing is likely to remain volatile as uncertainty continues. 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.

4.3 Other Investment Limits

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

a) **Non-specified treasury management investment limit.** The Council has determined that it will limit the maximum total exposure non specified investments to £80m.

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 Ratings. The list of countries that qualify using this credit criteria as at the date of this report are shown in Annex 3. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

c) **Sector Limit. The Council has determined that it will limit the maximum exposure within different sectors of investments to the following-**

- £250m aggregate in overnight investments such as money market funds and instant access funds/bank accounts.
- Maximum holding in any one money market fund should not represent more than 2% of that fund's total asset value.
- £200m aggregate in short term investments such as 7-95 day lending deposit, call and notice accounts, and property and social bond funds.
- £100m aggregate in medium term investments such as 95-365 day lending, deposit, call and notice accounts.
- Additionally a maximum total limit of £250m held in Money Market Funds.
- Additionally a maximum total limit of £200m to other local authorities.
- Additionally a maximum total limit of £100m to Building Societies.
- Investments made with other Local Authorities may be agreed in advance of the loan issue date subject to the total duration of the loan and the notice to lend not being more than 18 months.

4.4 Treasury Management 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 surplus 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.

Investment returns expectations.
The Bank Rate is unlikely to rise from 0.10% for a considerable period. It is not possible to say with certainty when it may start rising so it is assumed that investment earnings from money market-related instruments will be below 0.50% for the foreseeable future.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows (the long-term forecast is for periods over 10 years in the future):

Average earnings in each year	
2020/21	0.10%
2021/22	0.10%
2022/23	0.10%
2023/24	0.10%
2024/25	0.25%
Long term later years	2.00%

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, or a return of investor confidence in equities, could impact gilt yields, (and so PWLB rates), in the UK.

Negative investment rates

While the Bank of England said in August / September 2020 that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, and in November omitted any mention of negative rates in the minutes of the meeting of the Monetary Policy Committee, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the COVID crisis; this has caused some local authorities to have sudden large increases in cash balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

As for money market funds (MMFs), yields have continued to drift lower. Some managers have already resorted to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a surfeit of money swilling around at the very short end of the market. This has seen a number of market operators, now including the DMADF, offer nil or negative rates for very short-term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions for investments at the very short end of the yield curve.

Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home. This is magnified by the difficulty local authorities are facing over accurately forecasting the disbursements of funds received, and anticipation of any further large receipts from the Government.

4.5 Non Treasury Investment Strategy

A separate document entitled “Investment Strategy” covers the Council’s position in respect of non-treasury management investments held for service reasons or commercial reasons.

4.6 Investment Performance / Risk Benchmarking

A weighted average target return on treasury management investments is targeted to exceed the 30 day LIBID rate by 0.46%. This will maintain the current overall levels of return above LIBID, having regard to the first priorities being security and liquidity before return. The Council holds an interest rate volatility reserve to manage fluctuations in interest rates.

The Council is appreciative that the provision of LIBOR and associated LIBID rates is expected to cease at the end of 2021. It will work with its advisors in determining suitable replacement investment benchmark(s) ahead of this cessation.

4.7 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. This will include a separate update on the Non-Treasury Investments held by the Council at the end of each financial year.

4.8 External Fund Managers

The County Council uses a number of external managers to spread risk and obtain maximum market exposure. Current external fund managers actively used during the last year are listed below. This list is not exhaustive and new fund managers may be engaged if necessary. Officers will periodically review the position, performance, and costs of external fund managers, and may meet with client relationship managers or fund managers as appropriate.

- Blackrock
- Deutsche Bank
- Goldman Sachs
- Insight
- Aberdeen
- Federated Hermes
- CCLA
- Threadneedle

4.9 Environmental, Social, and Governance Policy

As a responsible investor, the Council is committed to considering environmental, social, and governance (ESG) issues, and has a particular interest in taking action against climate change and pursuing activities that have a positive social impact.

However, the treasury management function is controlled by statute and by professional guidelines and the first priorities of treasury must remain security, liquidity, and yield. With those priorities kept in place, the following activity will be undertaken in respect of climate change and responsible investing. Steps will be taken to:

- Ensure an understanding of the degree to which investments may contribute towards climate change. This may take the form of measuring the carbon footprint or some similar measure.

- Identify and understand the extent to which investments are exposed to risks driven by climate change, for example investments in assets at risk of weather change (e.g. property or infrastructure at risk of flooding), assets at risk of becoming stranded (e.g. fossil fuel investments), or assets at risk from geopolitical risks driven by climate change (e.g. water access, the capacity for food production, or economic conflict).
- Keep abreast of new investment opportunities that have regard to ethical investing and climate change as this is a quickly developing arena.
- Understand the ESG policies of funds when considering new investment opportunities.

4.10 Pension Fund Cash

This Council will comply with the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, implemented 1 January 2010. With effect 1 April 2010, the Council does not pool pension fund cash with its own cash balances for investment purposes. Any investments made by the pension fund directly with this local authority after 1 April 2010 must comply with the requirements of SI 2009 No 393. The council has a separate statement for Pension Fund investment purposes.

ANNEXES

1. Prudential and Treasury Indicators
2. Treasury Management - Portfolio
3. Approved Sources of Long and Short Term borrowing
4. Treasury management - Practice
5. Approved Countries for Investments
6. Treasury Management - Scheme of Delegation
7. Treasury management - Role of the Section 151 Officer
8. Economic background

Annex 1

1. Prudential and Treasury Indicators

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.

The following indicators are set out in the main body of the report:

Prudential Indicator	Reference
Capital Expenditure	Table 1
Gross Debt	Table 7
Capital Financing Requirement	Table 4
Over/Under Borrowing	Table 7
Borrowing - Operational Boundary	Table 9
Borrowing - Authorised Borrowing Limit	Table 10

In addition, the prudential indicators below will be applied.

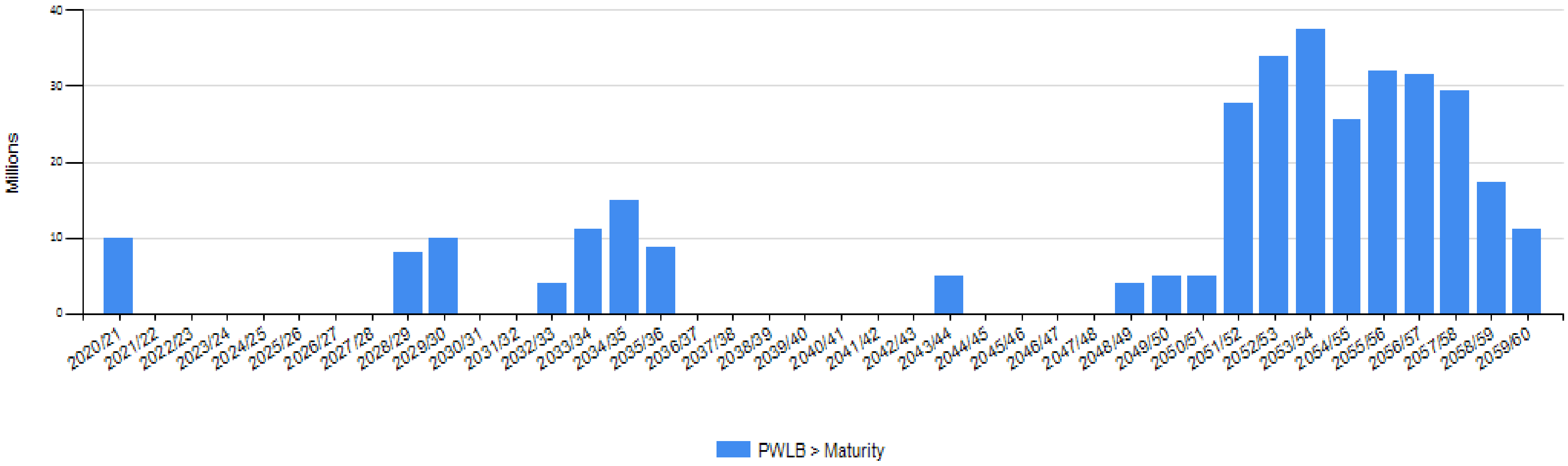
TREASURY MANAGEMENT PRUDENTIAL INDICATORS	2020/21	2021/22	2022/23	2023/24	2024/25	2026/26
Upper limit for fixed interest rate exposure						
Net principal re fixed rate borrowing / fixed term investments	100%	100%	100%	100%	100%	100%
Upper limit for variable rate exposure						
Net principal re fixed rate borrowing / fixed term investments	25%	25%	25%	25%	25%	25%
Upper limit for total principal sums invested for over 365 days	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
(per maturity date)	80,000	80,000	80,000	80,000	80,000	80,000

Maturity structure of new external borrowing during year	upper limit	lower limit
under 12 months	35%	0%
12 months and within 24 months	45%	0%
24 months and within 5 years	65%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

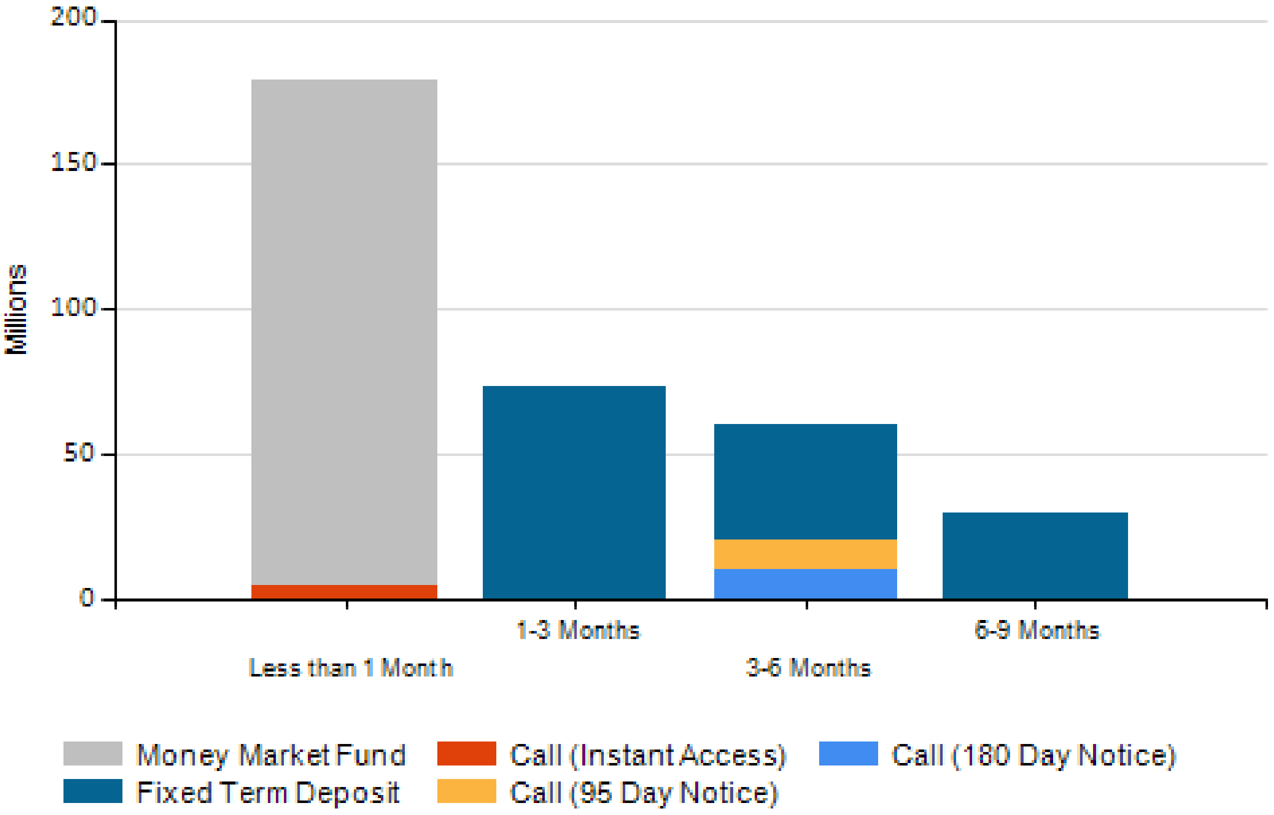
Annex 2

2. Treasury Management Portfolio

a. Debt Schedule



b. Investment Portfolio as at 31st March 2021



c. Balance Sheet Forecast

Warwickshire County Council
Balance Sheet Projections

2020/21 (£'000)		2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)
CAPITAL FINANCING REQUIREMENT						
278,297	CFR Relating to General Fund	398,870	494,922	534,599	578,608	578,948
278,297	Total CFR	398,870	494,922	534,599	578,608	578,948
-	Finance Lease Liabilities		-	-	-	-
278,297	Underlying Borrowing Requirement	398,870	494,922	534,599	578,608	578,948
(341,406)	External Borrowing c/fwd	(321,406)	(321,406)	(371,406)	(411,406)	(441,406)
20,000	Loan Maturities					
-	New Loans	-	(50,000)	(40,000)	(30,000)	(10,000)
(321,406)	External Borrowing	(321,406)	(371,406)	(411,406)	(441,406)	(451,406)
(43,109)	Under / (Over) Borrowing	77,464	123,516	123,193	137,202	127,542
-15%	*Borrowing as a % of Requirement*	*19%*	*25%*	*23%*	*24%*	*22%*
RESERVES / BALANCES, INVESTMENTS & WORKING CAPITAL (£'000)						
21,223	General Fund Balance	21,200	21,200	21,200	21,200	21,200
-	Collection Fund Adjustment Account	-	-	-	-	-
171,800	Earmarked reserves	165,000	139,000	122,000	113,000	104,000
20,200	Capital Receipts Reserve	-	-	-	-	-
4,300	Provisions (exc. any accumulating absences)	4,300	4,300	4,300	4,300	4,300
-	Capital Grants Unapplied	-	-	-	-	-
43,109	Over / (Under) Borrowing	(77,464)	(123,516)	(123,193)	(137,202)	(127,542)
137,000	Working Capital	125,000	125,000	125,000	125,000	125,000
397,632	Expected Treasury Investments	238,036	165,984	149,307	126,298	126,958

YE balances currently estimated for 2020/21*

Annex 3

3. Approved Sources of Long and Short-Term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance leases	●	●

Annex 4

4. Treasury Management – Practice

4.1 Counterparty Limits

	Fitch Long term Rating	Money Limit	Transaction limit	Time Limit
Banks	*A-*	£20m	£20m	1yr
Building Societies	*A-*	£20m	£20m	1yr
Local authorities	N/A	£10m	£10m	18 months
DMADF	UK sovereign	unlimited	unlimited	6 months
Other Institutions limit	N/A	£10m	£10m	1yr
	Fund rating**	Money Limit	Transaction Limit	Time Limit
Money Market Funds CNAV	AAA	£60m	£60m	liquid
Money Market Funds LVNAV	AAA	£60m	£60m	liquid
Money Market Funds VNAV	AAA	£60m	£60m	liquid
Ultra-Short Dated Bond Funds	AA	£60m	£60m	liquid
Property Fund	N/A	£15m	£15m	90 day
Social Bond Funds	N/A	£40m	£40m	90 day

4.2 Loans to Local Authority Trading Companies

Loans to LATCs	2021/22	2022/23	2023/24	2024/25	2025/26
Lending Limit £m's	8.00	7.00	4.00	7.00	3.00

4.3 Specified Investments

Investment Type	Credit Criteria (Fitch Ratings)	Limits (per institution)	Use
DMO Deposit Facility	--	No Limit	In-house
Term deposits: Local Authorities	--	£10m	In-house
Nationalised Banks	Short-term F1, Support 1	£20m	In-house and External Manager
Term deposits: UK Banks	Short-term F1, Long-term A, Viability a, Support 3	£20m	In-house and External Manager
Term deposits: Bank Council uses for current account	--	£20m	In-house and External Manager
Term deposits: UK Building Societies	Top five largest societies as reported annually. (To be continually monitored)	£20m	In-house and External Manager
Term deposits: Overseas Banks	Short-term F1+, Long-term AA- Viability aa, Support 1	£20m	In-house and External Manager
Certificates of deposits issued by UK banks and building societies	Short-term F1, Long-term A, Viability a, Support 3	£20m	External Manager
Money Market Funds	AAA	£60m	In-house and External Manager
Ultra Short Dated Bond Funds	AA	£40m	In-house and External Manager
UK Government Gilts, Treasury Bills	--	No Limit	External Manager
Gilt Funds and Bond Funds	Long-term A	No Limit	External Manager

(All such investments will be sterling denominated, with **maturities up to a maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable)

4.4 Non-Specified Investments

Investment Type	Credit Criteria (Fitch Ratings)	Limits (per institution)	Use
Term deposits: UK banks and building societies with maturities in excess of one year with a maximum of three years allowed for in-house deposits	Short-term F1, Long-term A, Viability a, Support 3	£15m	In-house and External Manager
Fixed Term Deposit with Variable Rates and Variable Maturities	Short-term F1, Long-term A, Viability a+, Support 3	£15m	In-house and External Manager
Certificates of Deposits issued by UK banks and building societies	Short-term F1, Long-term A, Viability a, Support 3	£15m	External Manager
UK Government Gilts with maturities in excess of 1 year	--	£15m	External Manager
Local Government Association Municipal Bond Agency	--	£15m	--
CCLA Property Fund	--	£15m	--
Threadneedle Social Bond Fund	--	£40m	--
Local Authority wholly owned trading company	--	£3.9m	In-house

Annex 5

5. Approved Countries for Investments

Investments may be made in UK and in the following countries. 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.

Annex 6

6. Treasury Management - Scheme of Delegation

(i) Council

- approval of annual strategy.
- budget consideration and approval.
- approval of the division of responsibilities.

(ii) Cabinet

- scrutinise the proposed annual strategy.
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices.
- Receiving and reviewing monitoring reports and acting on recommendations.

(iii) Resources and Fire & Rescue Overview and Scrutiny Committee

- Overview and scrutiny of treasury management policy, practice, and activity as required.

Annex 7

7. 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.
- Recommending the MRP policy.

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Annex 8

8. Economic Background

- **UK.** The key quarterly meeting of the Bank of England Monetary Policy Committee kept **Bank Rate** unchanged on 5.11.20. However, it revised its economic forecasts to take account of a second national lockdown from 5.11.20 to 2.12.20 which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of **quantitative easing (QE) of £150bn**, to start in January when the current programme of £300bn of QE, announced in March to June, runs out. It did this so that "announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target".
- Its forecasts appeared, at that time, to be rather optimistic in terms of three areas:
  - The economy would recover to reach its pre-pandemic level in Q1 2022
  - The Bank also expected there to be excess demand in the economy by Q4 2022.
  - CPI inflation was therefore projected to be a bit above its 2% target by the start of 2023 and the "inflation risks were judged to be balanced".
- Significantly, there was no mention of **negative interest rates** in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it "stands ready to adjust monetary policy", the MPC this time said that it will take "whatever additional action was necessary to achieve its remit". The latter seems stronger and wider and may indicate the Bank's willingness to embrace new tools.
- One key addition to **the Bank's forward guidance in August** was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. Our Bank Rate forecast currently shows no increase, (or decrease), through to quarter 1 2024 but there could well be no increase during the next five years as it will take some years to eliminate spare capacity in the economy, and therefore for inflationary pressures to rise to cause the MPC concern. **Inflation** is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern.
- However, the minutes did contain several references to **downside risks**. The MPC reiterated that the "recovery would take time, and the risks around the GDP projection were judged to be skewed to the downside". It also said "the risk of a more persistent period of elevated unemployment remained material". Downside risks could well include severe restrictions remaining in place in some form during the rest of December and most of January too. **Upside risks** included the early roll out of effective vaccines.

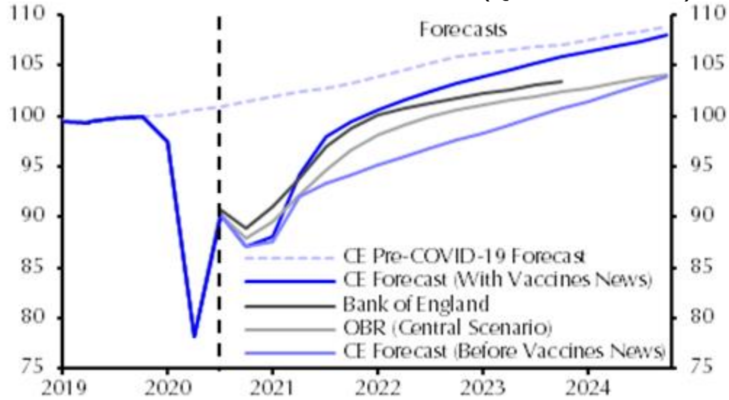
- **COVID-19 vaccines.** We had been waiting expectantly for news that various COVID-19 vaccines would be cleared as being safe and effective for administering to the general public. The Pfizer announcement on 9th November was very encouraging as its 90% effectiveness was much higher than the 50-60% rate of effectiveness of flu vaccines which might otherwise have been expected. However, this vaccine has demanding cold storage requirements of minus 70c that impairs the speed of application to the general population. It has therefore been particularly welcome that the Oxford University/AstraZeneca vaccine has now also been approved which is much cheaper and only requires fridge temperatures for storage. The Government has 60m doses on order and is aiming to vaccinate at a rate of 2m people per week starting in January, though this rate is currently restricted by a bottleneck on vaccine production; (a new UK production facility is due to be completed in June).

- These announcements, plus expected further announcements that other vaccines could be approved soon, have enormously boosted confidence that **life could largely return to normal during the second half of 2021**, with activity in the still-depressed sectors like restaurants, travel and hotels returning to their pre-pandemic levels; this would help to bring the unemployment rate down. With the household saving rate having been exceptionally high since the first lockdown in March, there is plenty of pent-up demand and purchasing power stored up for these services. A comprehensive roll-out of vaccines might take into late 2021 to fully complete; but if these vaccines prove to be highly effective, then there is a possibility that restrictions could start to be eased, beginning possibly in Q2 2021 once vulnerable people and front-line workers have been vaccinated. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines would radically improve the economic outlook once they have been widely administered; it may allow GDP to rise to its pre-virus level a year earlier than otherwise and mean that the unemployment rate peaks at 7% in 2021 instead of 9%.

- **Public borrowing** was forecast in November by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.
- Overall, **the pace of recovery** was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp after quarter 1 saw growth at -3.0% followed by -18.8% in quarter 2 and then an upswing of +16.0% in quarter 3; this still left the economy 8.6% smaller than in Q4 2019. It is likely that the one month national lockdown that started on 5th November, will have caused a further contraction of 8% m/m in November so the economy may have then been 14% below its pre-crisis level.

- **December 2020 / January 2021**. Since then, there has been rapid back-tracking on easing restrictions due to the spread of a new mutation of the virus, and severe restrictions were imposed across all four nations. These restrictions were changed on 5.1.21 to national lockdowns of various initial lengths in each of the four nations as the NHS was under extreme pressure. It is now likely that wide swathes of the UK will remain under these new restrictions for some months; this means that the near-term outlook for the economy is grim. However, the distribution of vaccines and the expected consequent removal of COVID-19 restrictions, should allow GDP to rebound rapidly in the second half of 2021 so that the economy could climb back to its pre-pandemic peak as soon as late in 2022. Provided that both monetary and fiscal policy are kept loose for a few years yet, then it is still possible that in the second half of this decade, the economy may be no smaller than it would have been if COVID-19 never happened. The significant caveat is if another mutation of COVID-19 appears that defeats the current batch of vaccines. However, now that science and technology have caught up with understanding this virus, new vaccines ought to be able to be developed more quickly to counter such a development and vaccine production facilities are being ramped up around the world.

Chart: Level of real GDP (Q4 2019 = 100)



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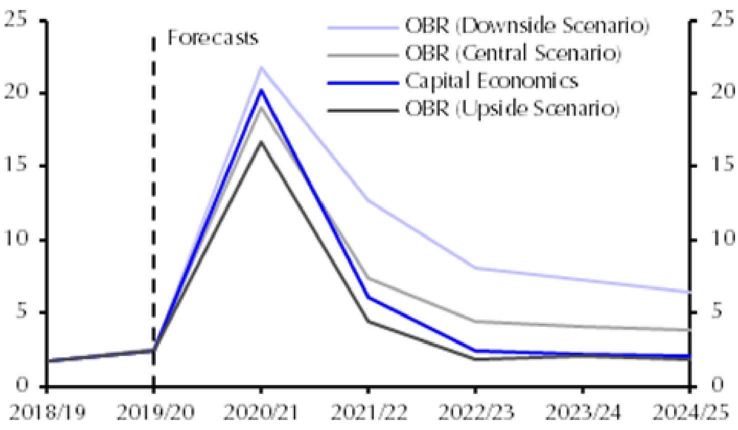
This recovery of growth which eliminates the effects of the pandemic by about the middle of the decade would have major repercussions for public finances as it would be consistent with the government deficit falling to around 2.5% of GDP without any tax increases. This would be in line with the OBR's most optimistic forecast in the graph below, rather than their current central scenario which predicts a 4% deficit due to assuming much slower growth. However, Capital Economics forecasts assumed that there is a reasonable Brexit deal and also that politicians do not raise taxes or embark on major austerity measures and so, (perversely!), depress economic growth and recovery.

Chart: Public Sector Net Borrowing (as a % of GDP)



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- There will still be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a reversal of globalisation as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.

- **Brexit.** While the UK has been gripped by the long running saga of whether or not a deal would be made by 31.12.20, the final agreement on 24.12.20, followed by ratification by Parliament and all 27 EU countries in the following week, has eliminated a significant downside risk for the UK economy. The initial agreement only covers trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. As the forecasts in this report were based on an assumption of a Brexit agreement being reached, there is no need to amend these forecasts.

- **Monetary Policy Committee meeting of 17 December.** All nine Committee members voted to keep interest rates on hold at +0.10% and the Quantitative Easing (QE) target at £895bn. The MPC commented that the successful rollout of vaccines had reduced the downsides risks to the economy that it had highlighted in November. But this was caveated by it saying, "Although all members agreed that this would reduce downside risks, they placed different weights on the degree to which this was also expected to lead to stronger GDP growth in the central case." So, while the vaccine is a positive development, in the eyes of the MPC at least, the economy is far from out of the woods. As a result of these continued concerns, the MPC voted to extend the availability of the Term Funding Scheme, (cheap borrowing), with additional incentives for small and medium size enterprises for six months from 30.4.21 until 31.10.21. (The MPC had assumed that a Brexit deal would be agreed.)

- **Fiscal policy.** In the same week as the MPC meeting, the Chancellor made a series of announcements to provide further support to the economy: -
  - An extension of the COVID-19 loan schemes from the end of January 2021 to the end of March.
  - The furlough scheme was lengthened from the end of March to the end of April.

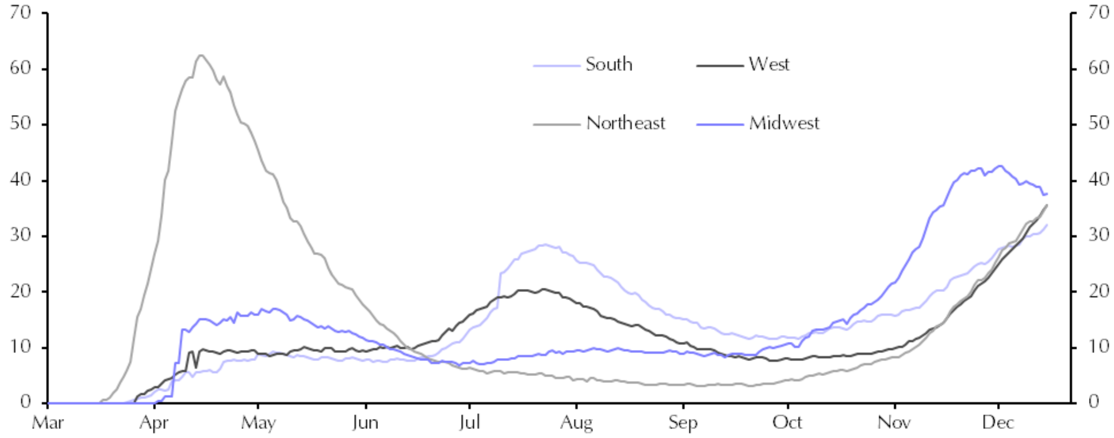
- The Budget on 3.3.21 will lay out the “next phase of the plan to tackle the virus and protect jobs”. This does not sound like tax rises are imminent, (which could hold back the speed of economic recovery).

- The **Financial Policy Committee** (FPC) report on 6.8.20 revised down their expected credit losses for the banking sector to “somewhat less than £80bn”. It stated that in its assessment, “banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC’s central projection”. The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC’s projection, with unemployment rising to above 15%.

- **US.** The result of **the November elections** meant that while the Democrats gained the presidency and a majority in the House of Representatives, it looks as if the Republicans could retain their slim majority in the Senate provided they keep hold of two key seats in Georgia in elections in early January. If those two seats do swing to the Democrats, they will then control both Houses and President Biden will consequently have a free hand to determine policy and to implement his election manifesto.

- **The economy** had been recovering quite strongly from its contraction in 2020 of 10.2% due to the pandemic with GDP only 3.5% below its pre-pandemic level and the unemployment rate dropping below 7%. However, the rise in new cases during quarter 4, to the highest level since mid-August, suggests that the US could be in the early stages of a fourth wave. While the first wave in March and April was concentrated in the Northeast, and the second wave in the South and West, the third wave in the Midwest looks as if it now abating. However, it also looks as if the virus is rising again in the rest of the country. The latest upturn poses a threat that the recovery in the economy could stall. This is **the single biggest downside risk** to the shorter term outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, states might feel it necessary to return to more draconian lockdowns.

COVID-19 hospitalisations per 100,000 population



- The restrictions imposed to control the spread of the virus are once again weighing on the economy with employment growth slowing sharply in November and retail sales dropping back. The economy is set for further weakness in December and into the spring. However, a $900bn fiscal stimulus deal passed by Congress in late December will limit the downside through measures which included a second round of direct payments to households worth $600 per person and a three-month extension of enhanced unemployment insurance (including a $300 weekly top-up payment for all claimants). GDP growth is expected to rebound markedly from the second quarter of 2021 onwards as vaccines are rolled out on a widespread basis and restrictions are loosened.

- After Chair Jerome Powell unveiled the **Fed's adoption of a flexible average inflation target** in his Jackson Hole speech in late August 2020, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech - that *"it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time."* This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade, (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting. The FOMC's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

- The Fed's meeting on **5 November** was unremarkable - but at a politically sensitive time around the elections. At its **16 December** meeting the Fed tweaked the guidance for its monthly asset quantitative easing purchases with the new language implying those purchases could continue for longer than previously believed. Nevertheless, with officials still projecting that inflation will only get back to 2.0% in 2023, the vast majority expect the fed funds rate to be still at near-zero until 2024 or later. Furthermore, officials think the balance of risks surrounding that median inflation forecast are firmly skewed to the downside. The key message is still that policy will remain unusually accommodative – with near-zero rates and asset purchases – continuing for several more years. This is likely to result in keeping Treasury yields low – which will also have an influence on gilt yields in this country.

- **EU.** In early December, the figures for Q3 GDP confirmed that the economy staged a rapid rebound from the first lockdowns. This provides grounds for optimism about growth prospects for next year. In Q2, GDP was 15% below its pre-pandemic level. But in Q3 the economy grew by 12.5% q/q leaving GDP down by "only" 4.4%. That was much better than had been expected earlier in the year. However, growth is likely to stagnate during Q4 and in Q1 of 2021, as a second wave of the virus has affected many countries: it is likely to hit hardest those countries more dependent on tourism. The €750bn fiscal support package eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support, and quickly enough, to make an appreciable difference in the countries most affected by the first wave.

- With inflation expected to be unlikely to get much above 1% over the next two years, **the ECB** has been struggling to get inflation up to its 2% target. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. The ECB's December meeting added a further €500bn to the PEPP scheme, (purchase of government and other bonds), and extended the duration of the programme to March 2022 and re-investing maturities for an additional year until December 2023. Three additional tranches of TLTRO, (cheap loans to banks), were approved, indicating that support will last beyond the impact of the pandemic, implying indirect yield curve control for government bonds for some time ahead. The Bank's forecast for a return to pre-virus activity levels was pushed back to the end of 2021, but stronger growth is projected in 2022. The total PEPP scheme of €1,850bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy. There is therefore unlikely to be a euro crisis while the ECB is able to maintain this level of support. However, as in the UK and the US, the advent of highly effective vaccines will be a game changer, although growth will struggle before later in quarter 2 of 2021.

- **China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. At the same time, China's economy has benefited from the shift towards online spending by consumers in developed markets. These factors help to explain its comparative outperformance compared to western economies. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns in the longer term. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

- **Japan.** A third round of fiscal stimulus in early December took total fresh fiscal spending this year in response to the virus close to 12% of pre-virus GDP. That's huge by past standards, and one of the largest national fiscal responses. The budget deficit is now likely to reach 16% of GDP this year. Coupled with Japan's relative success in containing the virus without draconian measures so far, and the likelihood of effective vaccines being available in the coming months, the government's latest fiscal effort should help ensure a strong recovery and to get back to pre-virus levels by Q3 2021 – around the same time as the US and much sooner than the Eurozone.

- **World growth.** World growth will have been in recession in 2020. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

- Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation.

Summary

Central banks are, therefore, likely to support growth by maintaining loose monetary policy through keeping rates very low for longer. Governments could also help a quicker recovery by providing more fiscal support for their economies at a time when total debt is affordable due to the very low rates of interest. They will also need to avoid significant increases in taxation or austerity measures that depress demand in their economies.

If there is a huge surge in investor confidence as a result of successful vaccines which leads to a major switch out of government bonds into equities, which, in turn, causes government debt yields to rise, then there will be pressure on central banks to actively manage debt yields by further QE purchases of government debt; this would help to suppress the rise in debt yields and so keep the total interest bill on greatly expanded government debt portfolios within manageable parameters. It is also the main alternative to a programme of austerity.

INTEREST RATE FORECASTS

Brexit. The interest rate forecasts provided by Link in paragraph 3.3 were predicated on an assumption of a reasonable agreement being reached on trade negotiations between the UK and the EU by 31.12.20. There is therefore no need to revise these forecasts now that a trade deal has been agreed. Brexit may reduce the economy's potential growth rate in the long run. However, much of that drag is now likely to be offset by an acceleration of productivity growth triggered by the digital revolution brought about by the COVID crisis.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is still subject to some uncertainty due to the virus and the effect of any mutations, and how quick vaccines are in enabling a relaxation of restrictions.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to

unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

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

- **UK government** takes too much action too quickly to raise taxation or introduce austerity measures that depress demand in the economy.
- **UK - Bank of England** takes action 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.
- A resurgence of the **Eurozone sovereign debt crisis.** The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for "weaker" countries. In addition, the EU agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next two or three years. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.
- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she will remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU, and they had threatened to derail the 7 year EU budget until a compromise was thrashed out in late 2020. There has also been a rise in anti-immigration sentiment in Germany and France.
- **Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.

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

- **UK -** a significant rise in inflationary pressures e.g. caused by a stronger than currently expected recovery in the UK economy after effective vaccines are administered quickly to the UK population, leading to a rapid resumption of normal life and return to full economic activity across all sectors of the economy.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a rapid series of increases in Bank Rate to stifle inflation.

Appendix 2

Investment Strategy (For Non-Treasury Investments)

Warwickshire County Council

2021/22

	Section
1	Introduction
2	Transparency and Accountability
3	Investment Objectives
4	Security
5	Liquidity
6	Yield
7	Borrowing
8	Risk
9	Proportionality
10	Capacity Skills and Culture
11	Prudential Indicators and Limits
12	Warwickshire Property Development Group
13	Warwickshire Recovery and Investment Fund
14	Existing Non-Treasury Investments
15	Environmental, Social, and Governance Policy

	Annexes
1	Public Works Loan Board Lending Objectives
2	Investment Categories
3	Risk Management
4	Capacity, Skills, and Culture - Policies and Actions
5	Indicator Definitions
6	Prudential Indicators
7	Prudential Limits

1. Introduction

1.1 Local Authorities may make investments of two types:

- Treasury Investments.
- Other Investments (also referred to in this strategy as “non-treasury investments”).

1.2 This Investment Strategy covers “Other Investments” and is prepared according to statutory guidance issued under the Local Government Act 2003, and also the Treasury Management Code of Practice, and The Prudential Code for Capital Finance in Local Authorities. Non-Treasury Investment are policy investments made to deliver Corporate objectives as set out in the Capital Strategy and Medium Term Financial Strategy.

1.3 For the purposes of this Investment Strategy, an investment is any financial or non-financial asset of the authority which is held partially or primarily to generate a return. Investments include loans made by the local authority to wholly-owned companies or associates, to a joint venture, or to a third party. For the avoidance of doubt, the strategy does not include pension fund, trust fund investments which are subject to separate regulatory regimes, or treasury investments which are detailed separately in the Treasury Management Strategy.

1.4 Non-treasury management investments may take a number of forms, for example holding shares in companies, issuing loans to companies, promoting economic development, or holding non-financial assets (e.g. property). Details of the Council’s existing and planned non treasury investments are set out in Section 12 and 13 of this strategy.

2. Transparency and Democratic Accountability

2.1 This Investment Strategy is a public document and must be approved annually by full Council, and any material changes during the year also being presented to Council for approval.

2.2 The more specific and detailed governance arrangements for any new funds will also be subject to Member approval through Cabinet or Council. For example, arrangements for the governance of the WPDG (WPDG) and Warwickshire Recovery and Investment Fund (WRIF).

2.3 Under Regulation 17 of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 as amended overview and scrutiny committee members have right of access to any confidential information relating to any decision by the executive or any member of the executive of their council where relevant to a review or scrutiny being undertaken by the committee or included in its work programme.

2.4 Any fundamentally new or additional levels of investment outside of those specified in or delegated by this Investment Strategy for investment for non-treasury purposes will be required to have direct Council approval that would be set out in an updated Investment Strategy.

2.5 The Section 151 Officer has delegated authority to implement this Investment Strategy, with the following overarching responsibilities highlighted.

- Ensuring that due diligence is carried out on investment proposals in accordance with the risk appetite of the authority.
- Ensuring the proportionality of 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 an adequate governance process is in place for the approval, monitoring, and ongoing risk management of non-treasury investments.

3. Investment Objectives

3.1 The primary objective of all non-treasury investments will be to contribute towards the Council's core organisational objectives:

- "Warwickshire's economy is vibrant and is developed, supported by the right jobs, training, skills and infrastructure";
- "Warwickshire's communities and individuals are supported to be safe, healthy and independent"; and
- "Making the best use of resources".

3.2 In addition, all non-Treasury investments will be required to demonstrate how they contribute towards the objectives specified in MHCLG guidance which will control local authority access to Public Works Loan Board (PWLB) lending by the withdrawal of PWLB lending to authorities when not met. These objectives are harmonious with the Council's overarching strategic objectives and powers, and are summarised below and detailed in Annex 1:

- Service
- Housing
- Regeneration
- Treasury management

- Prevention of social or economic decline

3.3 The principles of security, liquidity, and yield must be considered when making any investment. When considering treasury management investments, security is the highest priority, followed by liquidity, and yield is a low priority. However, for non-treasury investments, whilst all three principles matter, there is more flexibility around the relative priorities depending upon risk appetite and investment objectives. The following sections set out these principles in detail.

4. **Security**

4.1 The principle of security relates to the preservation of capital, i.e. Ensuring that the original investment is returned.

4.2 Non-treasury investments will be categorised as a means of indicating and controlling risk as follows:

- Specified Investments
- Loans
- Non-Specified Investments

4.3 Annex 2 describes these in detail and Annex 3-5 sets out how these will be managed.

4.4 Total exposure to investments will be capped as specified by this Investment Strategy, including detailed limits specifying ceilings on different types of investment, in order to limit risk exposure. This is summarised in Section 11 and detailed in Annex 5 and Annex 6.

4.5 All investments will have a specified end date and a documented process for review and, where contractually possible, early closure and realisation of capital should the circumstances performance, or risk profile require it. Investments which are of a nature that do not have a contractual end date, for example equity, will still have a planned holding duration.

4.6 Investment cash or non-treasury assets will not be issued in advance of need, minimising third party treasury management risk and the risk of cash or assets being used for objectives other than the investment objective.

4.7 A review will be undertaken in 2021/22 to assess the value of security held against non-treasury investments and to report on their sufficiency.

5. Liquidity

5.1 The principle of liquidity relates to how quickly investments can be returned to the Council.

5.2 In order to manage liquidity risk, this Investment Strategy will specify the maximum durations for which financial investments may be committed.

5.3 The default arrangement for loans will be annuity repayments, i.e. the payment of principal in even instalments throughout the duration of the loan term. Other profiles may be considered on an exceptional basis, however the risk of alternative profiles must be considered alongside how the profile would help to meet organisational objectives.

5.4 The contractual terms of investments made will specify repayment conditions and timing.

5.5 For non-treasury investments, medium and long-term financial planning will be used to ensure that funds can be accessed when needed to repay capital borrowed.

5.6 The level of liquidity of non-treasury assets will be assessed and monitored.

5.7 The capital programme, capital financing requirement, and treasury management activity will have regard to the planned repayment of investments relating to non-treasury investments, for example capital receipts and the repayment of loan principal.

5.8 The new investments in the Warwickshire Property Development Group (WPDG) will be relatively long term and illiquid in nature. Annex 2 to 8 set out arrangements and controls which will be used to manage this risk.

6. Yield

6.1 Investments will not be made purely or primarily for yield. This will mean that the Council will have access to PWLB lending at the low rates available from this source. Should the Council want to consider investments purely or primarily for yield, this would require a review of the overall capital financing position for the Council, because the Council would lose access to PWLB rates and capital financing costs would foreseeably be expected to increase.

6.2 However, where investments are made, the expected rates of return will have regard to the nature of investment and the level of risk been taken by the Council. Investment returns cannot be so low as to breach state aid/subsidy rules and cannot be so high as make an appropriate investment unviable to appropriate counterparties. Investment returns will seek to align with market norms.

6.3 Net yield will be calculated after having regard to costs, fees, and expected credit loss.

7. Borrowing

7.1 The Council will not borrow purely for profit and will not borrow more than or in advance of need purely or primarily to profit.

7.2 However, the Council may borrow in advance of need primarily for risk management or borrowing efficiency reasons (for example to lock into low interest rates if interest rates are expected to rise significantly).

7.3 Capital receipts shall not be repurposed from the acquisition of assets that contribute to service delivery in order to fund the purchase of investments solely to avoid borrowing in advance of need.

8. Risk

8.1 Any investment, by its nature, involves a risk that the rate of return may not be achieved, and the original investment may not be repaid. It also carries the potential risk that more than the original investment is lost if an investor for whatever reason subsequently puts additional money in above the original investment, for example if unsuccessfully attempting to turn around a failing investment.

8.2 The financial risks involved in the new non-treasury investments relating to the WPDG are of a different nature and greater than the financial risks relating to traditional capital expenditure and treasury investments. The reasons for the differences are:

- Treasury investments prioritise security and liquidity in order to serve the primary objective of treasury management which is to ensure that cash is available when needed to serve the purpose for which that cash is held. To achieve this treasury objective, relatively safe and secure investments are chosen, and consequently low rates of return are accepted.

- Traditional capital spending is expenditure by nature and is fully funded as such. A capital asset provides benefits over its financial life and the cost of the asset is spread across the life of the asset, reflecting its consumption and use. At the end of the life of the asset, a new asset would be required if the same benefits are required to continue, and in order to pay for a new asset new money is needed. This new money is prudently provided for by the Council making an annual provision called the Minimum Revenue Provision (MRP). This means that money will be available to purchase a new asset when the time comes. There is no assumption that the asset will retain its financial value, or that the asset will provide a financial return, and therefore there is no risk of either of these assumptions not happening.

- Non-Treasury investment risks are different in that:
  - They are assumed to retain or increase their original asset value, and they are assumed to provide a financial return. Therefore there is exposure to the risk of those assumptions not happening.
  - The objectives of non-treasury investments by their nature are not the same as treasury investments, and therefore they may not prioritise security and liquidity as highly as treasury investments do.

8.3 Although the Council will not pursue investments purely for the objective of financial return, the Council will pursue investments in order to meet objectives as set out in Section 3, and in doing so accepts higher risks with respect to security and liquidity.

8.4 Higher risk is associated with higher reward. Investors will seek to find opportunities receiving higher returns for lower risk, while organisations seeking investment will seek opportunities paying lower returns for higher investor risk. These competing requirements result in a market-norm rate of return for a given level of risk. Rates of return will have regard to this, ensuring that rates of return are not so low as to breach state aid/subsidy rules and not so high as to be unviable to counterparties. Rates should be market normative and enough to reward the investment risk taken.

8.5 The majority of traditional treasury management investment (currently approximately £320m) is very low risk and very low return, for example loans to other local authorities, and money market funds designed to preserve capital. There are some small investments in higher risk investments including the Threadneedle Social Bond Fund (currently £34m) and CCLA Property Fund (currently £10m). These two investments are held over a longer timeframe in order to provide access to higher rates of interest in return for accepting less liquidity and higher risk. The WPDG (£160m planned gross investment over the 5 year MTFS period) will be further up the risk/return spectrum again, however this positioning is driven by the primary objectives of the WPDG being amplify the opportunity to deliver organisational policy objectives.

8.6 Before entering into an investment, and whilst and investment is in place certain protocols will be followed to manage risks. These are detailed at Annex 3.

9. Proportionality

9.1 Any particular investment will carry its own risks, driven by the investment itself and the counterparty it relates to. The risk and return associated with any particular investment will vary.

9.2 In addition, there is the aggregate risk that the Council is exposed to when considering all investments in totality. This is a function of the total amount of assets and income at risk of loss, and the extent to which the Council is dependent upon those assets and that income.

9.3 This Investment Strategy sets out maximum limits for non-treasury investments in order to limit total risk exposure.

9.4 The Medium-Term Financial Strategy sets out the extent to which the overall Council budget is supported by income from non-treasury investments. However, when considering exposure to financial risk, there is also the risk of loss of principal, and where this occurs this may impact on the income and expenditure account directly.

9.5 Two indicators are required by Government guidance to be used to set limits that cannot be exceeded in order to manage proportionality. These measures are:

- Gross debt as a proportion of net service expenditure
- Commercial income as a percentage of net service expenditure

9.6 These measures are incorporated into the indicators detailed in Annex 5 and Annex 6.

10. Capacity, Skills and Culture

10.1 Non-Treasury investments carry particular risks, and the nature and scale of proposed investments in the WPDG and WRIF create new risks. We will ensure we have the appropriate capacity, culture and skills to manage non-Treasury investments through a range of specific actions and policies as set out in Annex 4.

11. Prudential Indicators and Limits

11.1 A range of measures will be used in order to report on and control exposure to financial risk exposure from investment decisions. Annex 5 sets out definitions of the measures that will be used.

11.2 Measures are classified as either “Indicators” or “Limits” and the distinction is set out below:

- Indicators (Annex 6) – these are measures to monitor a particular financial parameter which will provide insight into performance and/or risk.

- Limits (Annex 7) - these measures which set hard limits on certain financial parameters in order to control and limit exposure to risk.

11.3 The most important measures are the limits on gross investment set out in Annex 7. These provide the fundamental control over maximum exposure to risk.

11.4 Over time, the use of measures will be reviewed and measures that are initially used for monitoring purposes may in the future used for control purposes.

11.5 The measures used, and any targets or limits, will be updated at a minimum annually when the Investment Strategy is updated.

11.6 The indicators have been chosen having regard to MHCLG guidance.

12. Warwickshire Property Development Group

12.1 In 2019/20 Council approved a commercial strategy setting out the intention to explore new approaches to the delivery of organisational objectives.

12.2 During 2020, detailed proposals for the development of a Warwickshire Property Development Company (WPDG) have been developed.

12.3 WPDG is being developed with the following objectives:

- To undertake regeneration and place making activities within the county of Warwickshire. This should include delivery of major schemes, prioritising regeneration activities and delivering specific regeneration plans across the county.

- To undertake activities that progress Warwickshire County Council’s key policy objectives, for example mitigating climate change, promoting sustainable and inclusive economic growth in Warwickshire, improving quality of life, and improving Warwickshire’s 5G network and connectivity.

- To undertake activities with a view to generating new short- and long-term financial returns from the Council’s property assets as appropriate and establishing and maintaining momentum in such activities.

- To operate in effective partnership with public sector stakeholders, in particular district and borough councils, NHS bodies, Warwickshire Police, universities, West Midlands Combined Authority, Coventry and Warwickshire Local Enterprise Partnership and Homes England.

12.4 WPDG investments may be of the following nature:

- Equity Investment
- Commercial Loans
- Corporate Guarantees
- Partnerships (Joint Venture)

12.5 The value of any loan guarantees will be included in counting of the total value of loans issued as they allow a third party to call on a loan unilaterally.

12.6 Any investments of a convertible nature between equity and debt will be counted as the actual type of investment that they are at the given time.

12.7 The detailed proposals for the WPDG are subject to a full business plan which is to be presented to Cabinet in January 2021. This will include detailed arrangements for the proposed governance of the fund. The arrangements for the governance of the fund must comply with the requirements of this Investment Strategy. If there are any areas of discrepancy, the Investment Strategy will be followed until and unless it is changed by Council.

12.8 For the management of risk, limits will be set by the Investment Strategy controlling the following:

- How much can be invested in each year.
- How much may be equity, capital, and revenue in nature.
- The maximum duration of investments will be as set out in the detailed business plan.

12.9 Annex 7 specifies the limits for investment in the WPDG. These limits are specific for the next year, and indicative for the following 4 years.
The WPDG business plan includes potential investments over a significantly longer period of time, however actual approval for it is subject to viable detailed business cases for each individual investment and is also subject to the approval of an Investment Strategy with appropriate investment limits being approved at the necessary time. For completeness, the indicative total gross investments proposed for the WPDG are currently as follows:

Indicative Gross Investment £m	**2021/22**	**5 Years**	**Whole Life**
Equity	14.1	29.4	55.0
Capital Loans	0.0	120.1	408.3
Working Capital Loans (Revenue)	0.6	8.5	33.2
Total	**14.7**	**158.0**	**496.5**

12.10 All individual investments will be subject to bespoke business cases and due diligence as required by the specified governance arrangements.

12.11 The investment profile will be updated each year on a rolling basis. Therefore, before the actual investment limits for 2022/23 are proposed in the next annual Investment Strategy, they will be informed by experience to date of investments made in 2021/22.

13. Warwickshire Recovery and Investment Fund

13.1 A business case and strategy have been put to Council in respect of setting up a Warwickshire Recovery and Investment Fund (WRIF) with the objective of providing finance to support business start-ups and business growth within Warwickshire and supporting the Council’s strategic goals and priorities are set out in the Warwickshire Council Plan 2025, Covid 19 Recovery Plan, Economic Strategy, Commercial Strategy, and Place Shaping Programme.

13.2 Although the primary objective of this fund is to deliver service objectives (specific examples being job creation and job safeguarding, leveraging additional resources funding into the county, and increasing social value) the fund will operate on a commercial basis and will therefore generate financial returns for the council.

13.3 The majority of investments are expected to be senior debt in nature, other forms of investment including mezzanine debt and equity will be considered. A detailed business plan and investment strategy specifically relating this to this fund have been developed and require member approval in order for the fund to proceed to make investments.

13.4 The business plan and investment strategy for this specific fund must fit within all of the controls and governance requirements set out in this overarching non-Treasury Investment Strategy. For the avoidance of doubt, should there be any conflict this strategy/policy would prevail, and should there be a need or desire to invest outside of the boundaries set out in this policy, that would require bringing this policy back to Council to approve the changes first. In this way members and full council retain direct control of the overall level of risk being taken.

13.5 Annex 7 sets out the limits on gross investment within each fund each year. These limits are designed to control exposure to risk. The WRIF is made up of three sub funds with different risk profiles and therefore each sub fund has its own limit as follows:

	Maximum Investment Over The 5 Year Period
Business Growth Fund (BGF)	£90m
Property and Infrastructure Fund	£40m
Local Communities Enterprise Fund (LCEF)	£10m
Total	£140m

13.6 The business plan for the WRIF sets out an explanation of the nature and risks to do with these funds in detail.

13.7 In addition to having a limit on the amount that can be invested over the five-year period, other constraints are also placed on investment activity in order to control exposure to risk as follows :

- Limits for the amount that can be invested in each financial year (Annex 7.1)
- Limits on how much investment may be equity or working capital loans, which carry different risk profiles to debt invested in capital (Annex 7.5 and 7.6)
- Limits on how long a loan may stay out with a third party before it must be paid back (Annex 7.4)
- Each fund will have tailored governance arrangements and individual investments will be assessed against specified criteria that include consideration of risk and the financial strength of the counterparty as well as the benefits in terms of delivering Council objectives.

13.8 No limits will be set on net debt however net debt will be monitored, and in addition to the monitoring of these strategic indicators there will be detailed monitoring of the investment portfolio.

14. Existing Non-Treasury Investments

14.1 The Council already holds a number of investments that are non-treasury by nature. These investments are managed under existing procedures and protocols. This section sets out these investments.

Company Shares

14.2 The Council currently holds shares and debt with the following companies for the purposes of promoting the achievement of organisational objectives. These companies may provide a return on investment but that is not the primary reason for their existence.

- Warwickshire Legal Services Trading Ltd
- Educaterers Ltd
- University of Warwick Science Park Innovation Centre Ltd
- Warwick Technology Park Management Company Ltd
- Warwick Technology Park Management Company (No2) Ltd
- Eastern Shires Purchasing Organisation (ESPO)
- SCAPE Group Ltd
- Coventry and Warwickshire Local Enterprise Partnership
- Coventry and Warwickshire Waste Disposal Company
- UK Municipal Bond Agency PLC
- Border to Coast Pension Partnership Ltd

14.3 The share value relating to the above companies recorded in the 2019/20 accounts was £2.046m, with dividend income of £0.991m.

Company Loans

14.4 In addition to the above the Council currently operates two wholly owned Local Authority Trading Companies:

- Warwickshire Legal Services Trading Ltd
- Educaterers Ltd

14.5 The total shareholder value of these companies in their most recent accounts is a net liability of £2.7m (primarily relating to relating to increases in pension fund liabilities for Educaterers). There is a £1.8m loan facility in place with Educaterers at a rate of return of base rate + 5.75% to provide support to the company’s cash flow.

14.6 Local authority controlled company activity has been an area of particular interest to CIPFA and the government, and CIPFA are developing further guidance around the governance of these entities. We will keep up to date with developments and have regard to any new guidance as appropriate.

14.7 The capital programme already includes allocations available for the purposes of making a loans to local businesses who cannot raise funds through other means such as banks. This includes the following capital programme forecasts as at Quarter 2 for 2020/21.

Forecast £m	Up to 2020/21	2021/22	2022/23 Onwards	Total
Capital Growth Fund Business Loans and Grants	1.982	0.275	0.444	2.701
Capital Investment Fund/Duplex Fund	0.900	0.960	0.140	2.000
Total	**2.882**	**1.235**	**0.584**	**4.701**

14.8 These funds support the delivery of the Council’s objective to ensure Warwickshire’s economy is vibrant and is developed, supported by the right jobs, training, skills and infrastructure. These investments achieve this by being targeted to small and medium-sized businesses located within Warwickshire, supporting and developing the local economy and helping to create and safeguard jobs.

14.9 Loans and grants are managed via the Coventry and Warwickshire Reinvestment Trust (CWRT), this includes arrangements for assessing loans, issuing loans, and recovery.

14.10 In addition to the above established lending arrangements, loans to the value of £3m have been committed to in respect of Coronavirus Business Interruption Scheme (CBILS). This strategy sets a limit of £5m for lending of this nature (Annex 7.1).

Property Investment

14.11 The Council does not currently invest in property for the purposes of generating commercial income, however the Council does currently hold some assets for the purpose of generating future capital receipts.

£m	**31/03/2021**
NUNEATON/Land at former Magistrates Courts, Vicarage Street	0.272
NUNEATON/Land Adjoining 51 Queens Road, Queens Road	0.002
Attleborough Fields Industrial Estate Slingsby Close	0.519
NUNEATON/Former Manor Park Community School, Beaumont Road	1.575
ARLEY/ARC School (Former Herbert Fowler Junior School)	0.903
RUGBY/Great Central Industrial Estate, Great Central Way	1.100
ALCESTER/Former Area Library, Priory Road	0.301
ALCESTER/Meadow View H.E.P. (Independently funded), Kinwarton Road	0.000
Kineton/ River Meadows Care Home	0.244
Total	**4.915**

14.12 Activity during 2020/21 included £16.4m in capital receipts from sales, and approximately £50k of income generated.

14.13 In addition, changes due to revaluation amounted to +£22k and revaluation losses relating to sales amounted to -£2.3m.

14.14 The value of these assets can change, and these assets generate a small amount of incidental income. The properties classified as investment property had an asset value of £4.915m as at March 2021, which is 0.4% out of a full asset value in the balance sheet of £1.135bn.

14.15 Where any of these properties in future come under the auspices of the WPDG, the governance arrangements in place for the WPDG will apply.

15. Environmental, Social, and Governance Policy

15.1 As a responsible investor, the Council is committed to considering environmental, social, and governance issues, and has a particular interest in taking action against climate change and pursuing activities that have a positive social impact.

15.2 The impact of an investment in respect of climate change may be a consideration for investment decisions, with investments that help to prevent climate change, or help to cope with its impact, or which are resilient to it's effects being desirable. Measurement of impact such as via carbon footprint will be undertaken where practical.

15.3 Investments that have a social impact benefit, either on a local scale or more widely may be considered.

15.4 The ESG policy of fund managers and investment partners may be considered when making decisions, with the preference being for fund managers and partners who share similar values around ESG.

Public Works Loan Board – Lending Objectives **Annex 1**

Type	Description
Service	Normal local authority capital spending, for example education, highways, transport, social care, public health, cultural services, environmental services, regulatory services, and Fire and Rescue Services, as would be captured in the MHCLG Capital Outturn Return.
Housing	Normal local authority general fund or housing revenue account activity, as would be captured in the housing sections of the MHCLG Capital Outturn Return. In principle this includes land release, housing delivery, and subsidising affordable housing.
Regeneration	• Addressing economic or social market failure by providing services, facilities, or other amenities of value to local people which would not otherwise be provided by the private sector • Preventing negative outcomes including through buying and conserving assets of community value that would otherwise fall into disrepair • Investing significantly in assets beyond the purchase price, developing assets to improve them and/or change their use • Generating significant additional activity that would not otherwise happen without the local authority's intervention, for example creating jobs and/or social or economic value • Investments that recycle income to related projects with similar objectives rather than income being applied to wider services
Treasury Management	Restructuring or extending existing debt from any source, including the restructuring of internal financing
Prevention of Social or Economic Decline	• Investments that prevent a negative outcome, for example conserving assets of community value that would otherwise fall into disrepair, or providing support to maintain economic activity that would otherwise cease • Investment where there is no realistic prospect of support from any other source • investments with a defined exit strategy so that investments are not held for any longer than is necessary to achieve their objective

MHCLG issued guidance following the 2020 PWLB consultation stating that authorities that invest make Non-Treasury investments for the above reasons will have access to PWLB lending.

Local authorities that choose to invest for other reasons, or who choose to invest purely or primarily for yield will not be allowed to access PWLB lending for a period of time. In these cases, lending will be available from other sources, however it is foreseeable that the credit rating and risk profile of a local authority will be adversely impacted where it been refused access to the PWLB, and this would foreseeably impact on the lending rates and terms made available to the local authority.

Investment Categories **Annex 2**

Investment Type	Description
Specified Investments	Generally lower risk. These are sterling denominated, short-term, not capital by nature, and are made with counterparties with high credit ratings The Investment Strategy, will use the same criteria for the determination of specified investments as the Treasury Management Strategy
Loans	Generally higher risk than specified investments. In order to mitigate risk: • Credit risk and expected credit loss models will be used for loans and receivables. • Documented credit control arrangements will be used. • The value of loan guarantees will be counted against total lending exposure, whether or not a loan facility has been fully utilised. • Where a loan may be convertible to equity this can only be at the Council's discretion. No loans will be offered with any contractual commitment to convert them to equity.
Non-Specified Investments	This category covers all investments which are not specified investments, for example equity.
Non-Treasury Investments	This relates to physical assets which can be realised to recoup the capital invested. In order to mitigate risk: • The Council will monitor on an annual basis whether assets retain sufficient value to provide security. • Where security is sufficient, a statement should be made to this effect. • Where security is insufficient, a plan detailing the mitigating actions being taken to protect capital invested should be produced. • Where a loss is recognised in the accounts, the impact of this loss should be reported in an updated Investment Strategy. • Where the initial directly attributable purchase costs are greater than the realisable value of an asset, a statement setting out the timescales expected for the asset value to provide security for the sums invested will be made.

Risk Management **Annex 3**

Risk	Risk Management
Business market itself is not sound	• Review of the wider market in which the counterparty operates
Counterparty is not financially sound or well governed	• Use of independent credit ratings or credit assessments • Review of published financial reports and accounts • Review of the wider business plans of the organisation • Review of the counterparty's business case for seeking Council investment • Undertaking bespoke due diligence on the counterparty's financial and governance position where appropriate. •
The counterparty investment plan is not sound	• Reviewing the specific investment business case methodology, rationale, and assumptions • Review of the specific market environment • Undertaking bespoke due diligence where appropriate.
The investment is not repaid	• Establishing security against counterparty assets where appropriate • Including appropriate wordings in loan agreements • Regular monitoring of loan repayments, with the information required from the counterparty being specified • Use of credit control processes • Regular monitoring of counterparty financial metrics • Use of shareholder powers in respect of shareholdings, for example voting rights, reserved shareholder powers, board membership rights, and access to company information. • Utilising internal expertise and external expertise to monitor and review investment risk. • Where appropriate providing information, guidance, and support to counterparties to assist them in navigating difficulties in making repayments. • Use of the expected credit loss model to account for investments. • Having exit strategies built into the investment plan.
The Council does not adequately understand an investment	• Commissioning of experts and external advisers where internal expertise is not available. • Use of competitive procurement processes to secure external advisers. • Use of specified contract terms and objectives, and proactive contract management, to direct external advisers. • Investments in new markets or endeavours will be profiled with lower investments in the initial years to provide proof of concept and organisational learning before investment levels are scaled up

Capacity, Skills, and Culture - Policies and Actions **Annex 4**

	Actions
Capacity	• For investment funds ensuring adequate capacity is resourced at conception to deliver the fund objectives. • For individual investments, ensuring business cases include regard to the capacity required to deliver investment objectives for the Council and the counterparty. • Ensuring that investment costs are accounted for and covered by gross investment returns before net returns are counted.
Skills	• An annual training plan for Members closely involved in investment governance but noting that Members are not expected to be investment experts and require appropriate support and advice from experts. • Specific training on the prudential framework for officers and other stakeholders involved in negotiating investments • Commissioning of external expertise where internal expertise is not available • The use of appropriately qualified and experienced internal staff where necessary
Culture	• Reporting to Members and senior officers of lessons learned from other local authorities, where public reports are made available. • Ensuring no investment or counterparty is ever perceived to be "too big to fail". • Ensuring that unsuccessful investments are identified and accepted as such as early as possible and that robust decisions are taken to prevent further losses, for example by investing further into an unviable project. • Ensuring a positive support and challenge culture. • A robust culture promoting consistent application of investment controls • Investment appraisals consider the long-term and the whole investment life-cycle. • Investment funds consider intergenerational fairness. • Conflicts of interest are transparent and proactively managed. • Risk management and performance management will be evidence based.

Indicator Definitions **Annex 5**

Title	Purpose
Gross debt as a proportion of net service expenditure (to be monitored)	Demonstrates the scale of debt in comparison to the financial size and strength of the authority Indicates proportionality and whether the authority is taking too much risk in aggregate
Commercial income as a proportion of net service expenditure (to be monitored)	Demonstrates the dependence of the authority on commercial income associated with investments Indicates proportionality and whether the authority is taking too much risk in aggregate Note this indicator only relates to commercial income associated with non-treasury investments, therefore for example it excludes income from normal trading with third parties such as schools.
Loan to value ratio (to be monitored)	Demonstrates the amount of debt issued compared to the total associated underlying asset value Indicates risk of exposure to losses
Gross and net investment limits	To manage risk, limits will be set with respect to how much can be invested in non-treasury investments profiled across the medium term financial planning horizon at a high level, and provide a more detailed limits around investment durations for investments to be made in the coming year Gross limits are a hard limit in-year Net limits if breached will prompt a review of the gross limits for following years
Non-treasury investment net borrowing as a percentage of net financing need (to be monitored)	Total non-treasury investments as a proportion of total capital financing requirement, assuming non-treasury related capital receipts reduce non-treasury related borrowing.
The expected net rate of return (to be monitored)	The overall expected net rate of return for investments This is the gross rate of return, less costs and fees, and less expected credit loss Returns are not risk-free, therefore higher rates of return indicate higher levels of risk

Investment Strategy Indicators **Annex 6**

6.1 Gross debt as a proportion of net service expenditure

		2021/22	2022/23	2023/24	2024/25	2025/26
Gross Debt	£m	398.870	494.922	534.599	578.608	578.948
Net Service Expenditure	£m	468.531	489.028	502.161	510.922	526.778
Gross debt as % of net service expenditure	%	85.1%	101.2%	106.5%	113.2%	109.9%

6.2 Commercial income as a proportion of net service expenditure

		2021/22	2022/23	2023/24	2024/25	2025/26
Commercial income (gross)	£m	-	0.553	3.134	5.272	9.330
Net Service Expenditure	£m	468.531	489.028	502.161	510.922	526.778
Commercial income as % of net service expenditure	%	0.00%	0.11%	0.62%	1.03%	1.77%

Note - gross income represents income before having regard to costs

6.3 Loan to value

		2021/22	2022/23	2023/24	2024/25	202526
Total Loans (Capital)	£m	20.000	43.716	57.216	71.153	58.015
Asset Value	£m	to be monitored				
Loan to value	%					

Note - asset values will depend on lending opportunities, these will initally be monitored rather than a limit being set.

6.4 Non-treasury investment net borrowing as a percentage of net financing need

		2021/22	2022/23	2023/24	2024/25	2025/26
Net Borrowing Relating to Non Treasury Activity	£m	17.650	33.566	14.869	28.489	- 19.595
Total Net Borrowing Requirement	£m	131.514	111.816	59.282	65.201	23.294
Non Treasury Borrowing as % of Total	%	n/a	n/a	25.1%	43.7%	-84.1%

Note - in 2025/26 repayment of principal exceeds loans issues hence a net negative figure

6.5 Expected Gross Rate of Return

	Average Rate of Return
WPDG	6%
WRIF - BGF	5%
WRIF - Property Fund	6.5%
WRIF - LCEF	6%-15%

Investment Strategy Prudential Limits **Annex 7**

7.1 Annual Gross Investment Limits - Medium Term

		2021/22	2022/23	2023/24	2024/25	2025/26	Total
WPDG - Equity	£m	14.128	4.130	-	2.117	9.029	29.404
WPDG - Development Loans	£m	-	13.716	27.216	41.153	38.015	120.100
WPDG - Revenue Loans	£m	0.556	1.007	0.718	1.813	4.382	8.476
Sub Total - WPDG	£m	14.683	18.853	27.934	45.083	51.426	157.980
WRIF - BGF	£m	20.000	20.000	20.000	20.000	10.000	90.000
WRIF - LCEF	£m	2.000	2.000	2.000	2.000	2.000	10.000
WRIF - Property	£m	-	10.000	10.000	10.000	10.000	40.000
Sub Total - WRIF	£m	22.000	32.000	32.000	32.000	22.000	140.000
Total	£m	36.683	50.853	59.934	77.083	73.426	297.980

		2021/22	2022/23	2023/24	2024/25	2025/26
Local Authority Controlled Company Loans	£m	8.000	7.000	4.000	7.000	3.000
CBILS Loans	£m	5.000	tbd	tbd	tbd	tbd

7.2 Cumulative Gross Investment Limits - Medium Term

		2021/22	2022/23	2023/24	2024/25	2025/26
WPDG - Equity	£m	14.128	18.258	18.258	20.375	29.404
WPDG - Development Loans	£m	-	13.716	40.932	82.085	120.100
WPDG - Revenue Loans	£m	0.556	1.562	2.281	4.094	8.476
Sub Total - WPDG	£m	14.683	33.536	61.470	106.554	157.980
WRIF - BGF	£m	20.000	40.000	60.000	80.000	90.000
WRIF - LCEF	£m	2.000	4.000	6.000	8.000	10.000
WRIF - Property	£m	-	10.000	20.000	30.000	40.000
Sub Total - WRIF	£m	22.000	54.000	86.000	118.000	140.000
Total	£m	36.683	87.536	147.470	224.554	297.980

7.3 Cumulative Net Investment Limits - Medium Term

		2021/22	2022/23	2023/24	2024/25	2025/26
WPDG - Equity	£m	14.128	18.220	7.482	9.106	10.077
WPDG - Development Loans	£m	-	13.716	25.698	44.378	29.894
WPDG - Revenue Loans	£m	0.556	1.388	0.037	1.813	0.229
Sub Total - WPDG	£m	14.683	33.325	33.217	55.297	40.200
WRIF - BGF	£m	17.650	12.210	8.203	6.936	- 1.478
WRIF - LCEF	£m	1.708	0.946	0.465	0.465	0.465
WRIF - Property	£m	-	7.678	5.422	3.366	4.424
Sub Total - WRIF	£m	19.358	20.834	14.090	10.767	3.411
Total	£m	34.041	54.159	47.307	66.064	43.611

Investment Strategy Prudential Limits **Annex 7**

7.4 Maximum Duration Limits

WPDG - Equity		Investment durations will be specified by each business case, subject to the investment limits set out in this strategy. The net investment limits above align with investment duration limits over the period of the MTFS.
WPDG - Development Loans		
WPDG - Revenue Loans		Revenue loans are short term by nature. The balance each year represents the lending facility available.
WRIF - BGF	£m	10 years
WRIF - LCEF	£m	5 years
WRIF - Property	£m	10 years

7.5 Gross Investment Limits - 2021/22 By Type and Duration

		Up to 1 year	Up to 3 years	Up to 5 years	Up to 10 years	Over 10 years
Equity	£m	Investment durations will be specific to each business case presented.				
Development Loans	£m					
Working Capital Loans (WPDG)	£m	0.556	-	-	-	-
Working Capital Loans (WRIF)		-	-	2.000	-	-
Total	£m	0.556	-	2.000	-	-

7.6 Equity Limits

	Equity Limits
WPDG	As specified by each business case, and subject to the specific limits set out in this strategy. If an equity investment is in the form of pre-existing owned property then the investment may go ahead if a higher value is due to revaluation only.
WRIF	No more than 10% of the gross investment budget for each year may be equity in nature

7.7 Maximum Investment Per Counterparty

WPDG		As per the gross investment values in Table 7.1
WRIF - BGF		£10m
WRIF - LCEF		£500k
WRIF - Property		£10m

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County Council

1 July 2021

A452/A46 Developer Improvement Works

Recommendation

That Council approve the use of Capital Investment Funding of up to £6.6m to forward fund road improvements on the A452/A46 interchange to enable the proposed development in the area, on the basis that any of the funding which is not spent on those improvements will be refunded to the Capital Investment Fund and any which is spent will be recovered from local developer(s) through Section 106 funding.

1.1 Executive Summary

1.2 The highway improvements at the A452/A46 interchange known as Thickthorn Roundabout are required to bring forward the housing developments to the east of Kenilworth.

1.3 Highways England have required a planning condition on the first planning application that has come forward (Catesby development) requiring the improvements to be made before the delivery of more than 150 homes. It would be willing to drop this condition if the County Council agrees to take responsibility for delivering the works in a timely manner.

1.4 It has been concluded it would be advantageous if the County Council took control of the works and forward funded them, instead of asking Catesby to carry out the works under a section 278 agreement. Cabinet considered a report on this matter on 18 March 2021 and made the recommendation now before Council.

1.5 It is not normal practice for the County Council to forward fund developer works and it does mean that the County Council takes the risk of a cost overrun. However, by giving the County Council control over timing it allows a better alignment of the works with other planned schemes and an earlier release of allocated development sites.

2 Background and Key Issues

2.1 Warwick District's Local Plan has identified a strategic extension to the east of Kenilworth, which seeks to deliver approximately 1,400 new homes, land for education purposes, 8 hectares of employment land, and other supporting infrastructure.

2.2 The strategic extension is comprised of four specific allocations in the local plan as follows:

- H06 – East of Kenilworth (Thickthorn) – for an estimated 760 dwellings
- H40 – East of Kenilworth (Crewe Lane, Southcrest Farm and Woodside Training Centre) – for an estimated 640 dwellings
- E1 – Land at Thickthorn, Kenilworth – 8 hectares, employment land B1 (business) and B2 (general industrial) uses
- ED2 – Land at Southcrest Farm – education allocation.

2.3 The first application for this area was submitted to the District Council in 2018, by Catesby Estates Limited for the allocated site H40. The application is for up to 640 dwellings. The strategic extension will generate additional travel demands and this requires various mitigating schemes including the Thickthorn Roundabout improvements. These comprise a signalised roundabout with widening of approaches to 3 lanes and potential for an arm at the roundabout to access the allocated employment site. It also includes infrastructure to connect the site with the Kenilworth to Leamington (K2L) cycle scheme. The scheme will mitigate the severe traffic impacts that are otherwise predicted to occur by 2030 as growth comes forward and is also linked to wider development in the area including an allocation for up to 1,800 new dwellings (with capacity for up to 4,000) at Kings Hill to the north, potential expansion at both the university of Warwick and Stoneleigh Business Park and the emerging proposals for the Gigafactory on the Coventry Airport site.

2.4 Highways England want to ensure that the improvements are secured by the occupation of the 150th dwelling on the Catesby site to ensure that the increased traffic does not adversely affect the A46.

2.5 The improvements to the Thickthorn scheme are currently estimated at between £3.3m and £6.6m. This is based on the initial feasibility work done by Catesby in 2015 and a more recent assessment by Warwickshire's Engineering Design Teams. The reason for the large variation in estimate is due to the lack of detailed design and uncertainty around the costs associated with utility diversions, detailed design costs to achieve technical approval with Highways England, construction inflation post-Covid and the addition of a construction contingency of £1.4m.

2.6 Negotiations with Catesby have yet to be concluded given the uncertainty around the delivery costs. Further work is being done to ensure that all the developments in the area contribute equally to covering the costs of the required infrastructure.

2.7 If the County Council forward funds the Thickthorn scheme, we would be able to balance the Section 106 contributions across the wider allocation and hence ‘free up’ funding for the remaining schemes in a timely manner as well as allowing the other allocations in the strategic extension to come forward (and deliver their section 106 contributions) sooner. Key to this is ensuring that sufficient funding is recovered from developers and that the Thickthorn works do not absorb too much of the available Section 106. Additionally, delivery can be timed to coincide with the delivery of the Kenilworth to Leamington Cycleway (“K2L”) works due to be constructed over the next two years. This will enable us to ensure the design incorporates the K2L scheme and future proofs the roundabout for the eventual dualling of the A452 between Thickthorn and Bericote. It will also enable us to take advantage of any savings that might be gained by delivering the works through one contract.

3 Options and Proposal

3.1 The proposed option is for Warwickshire County Council to deliver the works using funding from the Capital Investment Fund and for that funding to be paid back from Section 106 contributions from the housing developments in the area.

3.2 The alternative option is for Catesby to deliver the road works through a S278 agreement with Catesby determining the timing of the delivery and the design of the scheme. This has disbenefit of potential delays in the delivery of the works which would hold up further development applications in the area and also misses the opportunity to incorporate the K2L scheme into the design and delivery of the works.

4 Financial Implications

4.1 Obtaining delivery of the improvement works by way of section 106 contributions, rather than a section 278, means that WCC, rather than Catesby, takes the risk of a cost overrun. Although this risk will be mitigated through negotiations with the developer(s) to ensure that sufficient funding is secured to support the delivery of the scheme, a small risk remains that the County Council may not recover all of the S106 required. In this instance, it is thought that the greater risk is justified by the benefits of greater control over delivery.

4.2 Given that this infrastructure is important to the wider area and to the ability to bring forward all of the development sites in the Local Plan it is an appropriate use of public sector funding to assist in pooling contributions and to take on some risk rather than load it all onto one developer or development.

4.3 As identified above the improvements to the Thickthorn scheme are currently estimated as being between £3.3m and £6.6m. These costs will be covered by the substantial S106 contributions expected between 2021 and 2028. The proposal is to deliver the improvements through a CIF bid; and for the S106 funding contributions to pay back the CIF by 2028. This is a longer period than desired as the current CIF allocation is to the end of 2023. To mitigate this there will need to be a commitment to utilise all of the section 106 funding received up to 2023 towards the payback of this scheme but there remains a risk, particularly as the actual cost of the delivery of the scheme is unknown at this point, and as the housing trajectory is market-led, that the CIF will not be fully refunded until after 2023.

4.4 **Capital Investment Fund Panel Review**

4.5 The Capital Investment Fund Panel provided feedback on the risks addressed in this report but also acknowledged that by the County Council agreeing to forward fund the delivery it would stop any potential stalemate in housing delivery.

5 Environmental Implications

5.1 Forward funding the improvements will ensure that the sustainable schemes, Walking/Cycling and Public Transport will be delivered early and ensure that a choice of mode for travel is available early in the development of the strategic allocations.

5.2 It will also ensure that the improvements are coordinated with the K2L scheme.

5.3 As with any major road works, the scheme will be required to assess the environmental impacts and to consider ecology and landscaping within the design.

6 Timescales associated with the decision and next steps

6.1 Indicative timetable is as follows:

- Early engagement with contractors Summer 2021
- Completion of detailed design – Winter/Spring 2021/22
- Tendering Summer 2022
- Construction (highly dependent on available road space and HS2 works) start Winter 2022 with completion in 2023.

7 Background papers

7.1 None

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The report was previously considered by Cabinet.

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County Council

1 July 2021

Appointment of Proper Persons

Recommendations

1. That Council notes and reaffirms the appointment of the Assistant Director for Business and Customer Services as the Proper Officer for Registration Services as set out in the constitution and authorises the post holder to carry out the duties and powers of the Proper Officer,

2. That Council confirms the delegation, on a temporary basis and until such time as the Strategic Director for Resources determines, of the role of Proper Officer for Registration Services to the Service Manager (Universal Services) Business and Customer Services, as the Tier 3 Manager responsible for Registration Services,

3. That the Delivery Lead Governance Services be appointed Scrutiny Officer,

4. That Council authorises the Strategic Director for Resources to make any changes to the constitution necessary to implement the decisions of Council.

1. Executive Summary

Proper Officer Registration Services

1.1. The Proper Officer for Registration Services has a number of powers and duties and responsibilities under various statutes and Guidance documents.

1.2. The duties and powers of the Proper Officer for Registration Services are as follows:

1.2.1. Registration Service Act 1953
- to appoint registration officers (sections 6(1) and 8(1))
- to provide and maintain district register offices (section 10(1))
- to prepare and submit a local registration scheme (section 14(1))

1.2.2. Marriage Act 1949
- to reimburse superintendent registrars the fees paid to incumbents and authorised persons for quarterly certified copies of marriage entries (section 57(4))

1.2.3. The Marriages and Civil Partnership (Approved Premises) Regulations 2005 and Registrar General's Guidance for the Approval of Venues for Civil Marriage and Civil Partnerships

- to receive applications and renewals of approval in line with the Registrar General's Guidance 05 – Proper Officer for Registration
- to notify the Registrar General of new approved premises within their area
- to maintain a register and notify the Registrar General of updates to any approved premises

1.2.4. Local Registration Scheme

- to provide assistance to registration officers
- to provide, equip and maintain registration offices
- to determine opening hours for offices of registrars
- to transfer principal officers within or between the districts

1.3. The Responsibilities of the Proper Officer are:

1.3.1. to notify the Registrar General of all staffing changes including the new appointments, resignations and retirements

1.3.2. to notify the Registrar General of any changes to registration offices within their area

1.3.3. to ensure access to registration online systems is restricted to authorised users only

1.4. It is appropriate for the Proper Officer to be the person with responsibility for the service area in which Registration Services sit. That person is the Assistant Director for Business and Customer Services.

1.5. It may be necessary from time to time to delegate the role of Proper Officer for Registration Services, on occasions where for example the postholder of Proper Officer is unable for whatever reason to fulfil that role.

1.6. With this in mind and taking on board the guidance of the Chief Registrar as to fit and proper persons to undertake the role, it is proposed that the Service Manager (Universal Services) Business and Customer Services, as the Tier 3 Manager responsible for Registration Services, be approved as a suitable person to undertake the Proper Officer role on a temporary basis and until such time as the Strategic Director for Resources determines. The Service Manager has direct responsibility for the delivery of Registration Services and is best placed to fulfil the role.

1.7. Council is asked to note that the delegation will take effect immediately and is intended to continue for such period as an Interim Assistant Director for Business and Communities is in place.

Statutory Scrutiny Officer

1.8. Under Section 9FB of the Local Government Act 2000 upper tier authorities (amongst others) are required to appoint a statutory scrutiny officer.

1.9. The role of the statutory scrutiny officer is to:

1.9.1. promote the role of the authority's scrutiny committee(s);
1.9.2. provide support to the scrutiny committee(s) and members; and
1.9.3. provide support and guidance to members and officers relating to the functions of the scrutiny committee(s).

1.10. The role therefore requires an understanding of how scrutiny operates, the democratic process and the legislative and governance framework surrounding scrutiny committees.

1.11 It is therefore proposed that the role of statutory scrutiny officer best sits within Democratic Services. Accordingly, it is proposed that the Delivery Lead Governance Services (being the role that manages Democratic Services and Information Governance) be appointed as statutory scrutiny officer.

2. Financial Considerations

As no additional posts are being created there are no direct financial implications.

3. Environmental Considerations

None

4. Timescales associated with the decision and next steps

If agreed the decision will have immediate effect.

5. Background papers

None

	Name	**Contact Information**
Report Author	Nichola Vine	nicholavine@warwickshire.gov.uk
Assistant Director	Sarah Duxbury Assistant Director Governance and Policy	
Lead Director	Rob Powell Strategic Director for Resources	
Lead Member	Portfolio Holder for	

	Customer & Transformation	

The report was not circulated to members prior to publication.

County Council

1 July 2021

Appointment to the Horton Joint Health Overview and Scrutiny Committee

Recommendation

That Council agree to nominate Councillor ………………… as the Council's representative on the Horton Joint Health Overview and Scrutiny Committee.

1. Background

1.1 The 'Horton JHOSC' was formed in 2018 following a recommendation from the Secretary of State. This is a joint committee of nine non-executive voting members and one co-opted non-voting member. Having due regard to the patient flow for the Horton General Hospital (HGH), the committee has eight members from Oxfordshire, one from Northamptonshire and one from Warwickshire. Members are appointed to the committee from the respective local authorities and are reflective of the political balance accordingly.

1.2 The Committee's initial remit was solely in relation to the issue of consultant-led obstetric services at the HGH. However, on completion of the work around obstetric services the JHOSC accepted that partners were working well to improve HGH and agreed that it would be beneficial if the JHOSC could continue to meet to hold Oxford University Hospitals and Oxfordshire Clinical Commissioning Group and others to account in the development and implementation of the positive vision for the future of the HGH (through its masterplan).

1.3 At its meeting on 13 October 2020 Council was asked to amend the scope of the health scrutiny powers delegated to the JHOSC to allow scrutiny of the masterplan for the Horton General Hospital and pursuit of associated capital investment. In addition, Council was asked to agree its nomination to membership of the JHOSC. It was resolved that Councillor Wallace Redford, who was at that time the Chair of the WCC Adult Social Care and Health OSC should be nominated.

1.4 At the Council AGM on 25 May 2021 Councillor Wallace Redford was appointed by the Leader as Portfolio Holder for Transport and Planning. As a consequence, Councillor Redford is no longer able to represent the Council on the JHOSC. Council must now nominate a new representative.

1.5 As noted above, the Council's appointee to this joint committee cannot be a member of the executive. Since the establishment of the Horton Joint Health OSC, the Council has appointed a member of its Adult Social Care and Health OSC as the most appropriate committee from which to draw representation to this joint committee. This approach remains appropriate given the overlap between the nature and remit of the respective committees. Historically, the Council's practice has been to appoint the sitting Chair of the Adult Social Care and Health Overview and Scrutiny Committee to represent the Council on the Horton Joint Overview and Scrutiny Committee.

2. Financial Implications

2.1 None

3. Environmental Implications

3.1 None

4. Timescales associated with the decision and next steps

4.1 This decision can be implemented with immediate effect

Appendices

None

Background Papers

None

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Lead Member	Portfolio Holder for Adult Social Care & Health	margaretbell@warwickshire.gov.uk

The report was shared with Councillor Bell prior to publication.

County Council

1 July 2021

Audit and Standards Committee Annual Report 2020/21

Recommendation

That Council receives and endorses the Annual Report of the Audit & Standards Committee.

1. Executive Summary

1.1 The Annual Report highlights some of the work undertaken by the Audit & Standards Committee through 2020/21 and looks ahead to issues that the Committee will examine in the coming year.

1.2 The Audit and Standards Committee considered the Annual Report at its meeting on 10 June 2021 and resolved that it be forwarded to Council for consideration and endorsement.

2. Financial Implications

2.1 None for this report.

3. Environmental Implications

3.1 None for this report.

Appendix

Annual Report of the Audit and Standards Committee 2020/21

	Name	Contact Information
Report Author	John Cole	johncole@warwickshire.gov.uk Tel: 01926 736118
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Audit and Standards Committee
Annual Report 2020/21

Warwickshire County Council's Audit and Standards Committee ('the Committee') plays a vital role overseeing the Council's governance framework to ensure that residents receive quality services and value for money.

It provides independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the Council's financial reporting and governance processes. Meetings of the Committee are open to the public. Details of future meetings can be found on the Council's website.

Who is on the Committee?

The membership of the Committee during the municipal year 2020/21 was:

John Bridgeman CBE	-	(Independent Member and Chair)
Councillor Parminder Singh Birdi	-	(Conservative)
Councillor Mark Cargill*	-	(Conservative)
Councillor Neil Dirveiks	-	(Labour)
Councillor Bill Gifford	-	(Liberal Democrat)
Councillor John Horner	-	(Conservative)
Councillor David Reilly	-	(Conservative)

The Chair of the Committee wishes to place on record his thanks to all the members, past and present, who have served on the Committee and have contributed to the important work it has undertaken.

Councillor Mark Cargill withdrew from the Committee following changes to appointments to committees at the Annual Council meeting in July 2020.

Efforts have been made to appoint a new independent member of the Committee following a delay due to the outbreak of coronavirus. The position has been advertised; however, a suitable candidate has not yet come forward. The recruitment process is ongoing, with alternative strategies under consideration to promote the opportunity. This will be actively progressed in the coming months.

The Internal Audit Manager, Chief Finance Officer, and the Monitoring Officer attend Committee meetings to provide information and ongoing assurance in relation to the Council's internal controls and systems. Representatives from Grant Thornton, the Council's external auditors, also attend meetings to report on the Council's financial statements and value for money arrangements.

What the Committee did over the last year

The Committee met four times during the 2020/21 year, with the meeting in May 2020 cancelled due to the COVID-19 Pandemic.

In common with other meetings held by the Authority during the COVID-19 period, the Committee has met remotely during 2020/21, making use of virtual meeting technology. This has required an adaptable approach and the Committee has continued to provide effective oversight despite the challenges of operating virtually.

During the year, alongside the regular external and internal audit monitoring reports, the Committee was able to consider a variety of governance and emerging national issues, including the Member Code of Conduct, the implications of the UK's departure from the European Union, the recommendations emerging from the Redmond Review, and the proposed Strategic Risk Management Framework.

The Committee was pleased to support the Annual Governance Statement 2019/20, and the Statement of Accounts for both the Council and the Pension Fund based on its knowledge and experience of how the assurance systems had operated in practice. More information about the Committee's key activities over the past 12 months is set out below.

External Audit

The Committee receives updates at every meeting from Grant Thornton who are the external auditors for both the Council and the Warwickshire Local Government Pension Fund.

Members also had the opportunity to consider emerging national issues and developments brought to their attention by the external auditors (and others). This enables the Committee to seek assurances that the Council is aware of and considering potential challenges, including:

- The longer-term implications of COVID-19 – including the economic impact of the Pandemic, government funding schemes, and spending pressures for local authorities. Scenario planning has been utilised to project possible outcomes.

- The effect of COVID-19 on working practices – where lessons can be learned drawing upon the challenges and positive experiences of the Pandemic, such as the wider adoption of digital technology and agile working which has prompted many local authorities to review their estate requirements.

- Details of the implications for local government, including financial considerations, ahead of the government's then anticipated White Paper on 'Devolution and Local Recovery' (which it is now understood will now be focused on the government's proposals for 'levelling up').

- Information in respect of strategies to address the national housing crisis.

- Uncertainty regarding the outcome of EU Exit negotiations between the government and European Union. This was an ongoing concern for much of the year prior to ratification of a trade agreement in December 2020.

The Committee was pleased to note that Grant Thornton had provided unqualified opinions for both the Council and Pension Fund accounts, including an unqualified value for money conclusion. Based upon examination of the Medium Term Financial Strategy (MTFS), Grant Thornton provided assurance that the Council was managing its finances well, having achieved around 85% of the savings required over the period of the last organisational plan. This compared favourably to other local authorities. However, the external auditor highlighted the challenges ahead such as the proposed increased use of reserves and the difficult choices faced by the organisation to meet updated savings targets.

The Committee was advised that due to the impact of lockdown on market activity, less certainty could be attached to valuations than would ordinarily be the case. Valuations for Council and Pension Fund assets had been determined on the basis of 'material valuation uncertainty'. As a result, it was considered necessary by the external auditor to include an 'emphasis of matter' within the County Council's Statement of Accounts and the Pension Fund's accounts to highlight material uncertainty disclosures. However, this did not necessitate a modification or qualification of the audit opinion.

The Committee was pleased to learn that it was judged that the Council had enacted value for money arrangements that secured economy, efficiency, and effectiveness in the use of resources. The external auditor was satisfied that the Council had robust arrangements in place to achieve its financial objectives and plan for future financial sustainability, notwithstanding the additional pressures presented by COVID-19.

Grant Thornton stated that the Council had acted proactively in reshaping the MTFS in response to the ongoing effects of the Pandemic. A clear link was discernible between the overarching Council Plan, MTFS and quarterly reporting, allowing for easier alignment of these strands within a cohesive strategy.

Internal Audit

A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The Council's Internal Audit Team carries out reviews of the Council's services throughout the year, identifying where there are issues and making recommendations. The Internal Audit Team operates in accordance with CIPFA guidance and the Public Sector Internal Audit Standards.

The outcomes of internal audits are reported to the Committee. These tend to be considered by the Committee in closed session owing to the nature of the matter being addressed.

During 2020/21, Internal Audit carried out a series of service and process reviews with a focus on specific areas, including:

- Waste Management – Trade Waste
- Strategic Property
- Pension Administration
- Fire & Rescue - HMICFRS Inspection Action Plan
- Safeguarding
- The Blue Badge Scheme

Internal Audit is acting as a 'critical friend' throughout the development of the Warwickshire Property Development Group (WPDG). Briefing papers were focused on the development of the business case and first business plan for WPDG and highlighted areas for consideration by management and the project team. Positive responses were obtained, and action taken where considered appropriate.

The Internal Audit Team also focused upon the organisation's response to COVID-19. This encompassed scrutiny of control and process changes, workforce implications, financial planning and budgetary control, supply chain considerations, and the requirements to meet COVID-19 grant conditions.

The Committee has followed progress against recommendations where issues were identified by audit outcomes. It has raised queries and conducted oversight when necessary.

Code of Conduct

In December 2020, the Local Government Association (LGA) published its new Model Code of Conduct in response to recommendations made by the Committee on Standards in Public Life (CSPL).

Earlier in the year, the Committee had taken the opportunity to review the LGA's initial work in this area, and members' comments formed the basis of the Council's response to the LGA's Model Code of Conduct consultation.

In March 2021, the Committee was presented with an updated Member Code of Conduct. It was considered that the Council's existing Member Code of Conduct had provided a sound platform upon which to promote high standards across the organisation. On that basis, it was not proposed to adopt the new LGA Code on a wholesale basis. Instead, a considered approach was suggested with amendments drawn from the new Code incorporated into the existing arrangements where it was considered that they added value and clarity.

The Committee reviewed and discussed the matter in detail, taking account of the advantages of existing arrangements, procedural considerations for the resolution of complaints, and the importance of training for new councillors. The Committee resolved to commend the proposed revised Code of Conduct to Cabinet and Council.

Governance of Change Programme

In September 2020, the Committee received an update in respect of oversight arrangements for the recently introduced Change Portfolio. The Committee was advised that, as the organisation moved to establish a Council wide Change Portfolio, it had been necessary to ensure that appropriate governance arrangements were in place. This was especially relevant in recognition of coronavirus and the measures introduced by the COVID-19 Recovery Plan.

Attention was given to the soundness of governance arrangements, including the allocation of roles and responsibilities to ensure that decision-makers could be held to account. Members scrutinised the process by which proposals were assessed by a 'Gateway Group' of senior officers prior to recommendations being made to Corporate Board. This arrangement has enabled proposals to be progressed as required under constitutional arrangements, with decisions being sought from Cabinet and/or Council where necessary.

Local Authority Financial Reporting and External Audit: Independent Review

In November 2020, the Committee considered the findings of the independent review by Sir Tony Redmond into the effectiveness of external audit and transparency of financial reporting in local authorities. The 'Redmond Review' examined local authorities' arrangements for the reporting of annual accounts. It sought to assess the extent by which this information was presented in an accessible way for members of the public who may not have specialist knowledge of local government financial processes.

Members considered the recommendations emerging from the Review. It was observed that the narrative Statement of Accounts produced by Warwickshire County Council was orientated to be readily understandable to a layperson and complied with many of the standards advocated by Sir Tony Redmond's report.

Consideration was given to the approaches available to a local authority to ensure that the right conditions were in place to enable audit and standards committees to make effective judgements. The importance of training for new members was highlighted; this helped to ensure that councillors were equipped with the specialist knowledge required to navigate information of an often complex and technical nature.

Preparations for European Union Transition

In November 2020, the Committee requested an update in respect of the approaches being taken by the Authority in anticipation of the end of the formal 'transition period', when the UK would leave the European Union (EU).

It was acknowledged that the outcome of national negotiations towards a trade deal with the EU would be key to the Council's future course of action. However, the Committee sought assurance that processes were in place to anticipate a range of potential outcomes, including contingencies in the event of no agreement being reached between the government and EU.

Members examined the robustness of risk management procedures and sought clarification in respect of potential impacts within the agricultural sector, including the movement of livestock and the implications for animal welfare.

The Committee was advised that Trading Standards had enacted measures to provide specialist support to industries across a range of sectors in readiness for the end of the transition period. This included provision of detailed guidance and holding of webinars. The Committee was assured that the importance of animal welfare, and the responsibilities of the Authority in this area, would not be overlooked and would be given consideration by Trading Standards officers.

Strategic Risk Management Framework

In March 2021, the Committee received details of the updated Strategic Risk Management Framework. Members examined a set of risk principles which were applicable across service settings. The Framework was orientated to set a risk appetite for various aspects of the organisation's objectives and services and was based on the principle that risk is rewarded. It did not advocate risk for its own sake but recognised the importance of exposure to risk in order to access opportunities.

The Committee recognised the importance of the Framework and the advantages it conferred to support decision-making and inform interventions. It was acknowledged that an entirely risk-averse stance constituted a risk in itself to a local authority. The quality of the Strategic Risk Management Framework was widely praised by the Committee and commended to Cabinet for approval.

Looking Ahead

The Committee's membership for the coming year (2021/22) is:

John Bridgeman CBE	-	(Independent Member and Chair)
Councillor Parminder Singh Birdi	-	(Conservative)
Councillor Sarah Feeney	-	(Labour)
Councillor Bill Gifford	-	(Liberal Democrat)
Councillor Brian Hammersley	-	(Conservative)
Councillor John Horner	-	(Conservative)
Councillor Christopher Kettle	-	(Conservative)

Mr John Bridgeman CBE will maintain his role as Independent Member and Chair of the Committee.

The Committee will continue to seek to appoint a new independent member in the coming year.

With the appointment of some new members to the Committee, appropriate training is being scheduled as part of the member development programme. The Committee is also due to undertake its own self-assessment during the year as recommended by CIPFA.

The ongoing social and economic impact of COVID-19 will remain an area of interest in the coming year. The Committee will also seek to monitor the longer-term effect of the Pandemic on Warwickshire Pension Fund, taking account of the actuarial challenges faced by pension funds in the wake of coronavirus.

The Committee will seek to assess the additional obligations placed upon council services by the Pandemic, alongside funding uncertainties. The experience of other councils at risk remains a salutary reminder of the importance of maintaining an assiduous approach to the financial pressures ahead.

The organisational changes and accelerated transformation process observed in response to the Pandemic will be of interest in the coming year. The effect of new and more agile ways of working on the Council's control and assurance framework will be an important factor to take into consideration. The Committee will take a keen interest in the workforce implications of widespread agile working (and homeworking), including approaches to remote auditing and any implications for governance and risk.

The Committee has maintained a close interest in the circumstances and implications of the Grenfell Tower fire. An update from Warwickshire Fire and Rescue Service on the measures in place to rigorously assess the safety of residential properties in Warwickshire was postponed in 2020/21 due to the outbreak of coronavirus. It will be rescheduled for the coming year.

The focus will remain on the supporting of good governance and strong financial management. Over 2021/22, the Committee intends to take a more in-depth look at Contract Standing Orders. Consideration of the audit on the organisation's use of interim, consultancy and agency staff has also been scheduled. The Committee will continue to receive updates from the external auditor and from the Council's Internal Audit Team in line with the published work plan.

Council

1 July 2021

Annual Monitor of use of the Urgency and Call-in Procedures 2020 - 2021

Recommendation

That Members note the content of the report.

1.0 Introduction

1.1 The use of the Council's call-in and urgency procedures is monitored annually in accordance with Standing Order 19.1 of the Council's Constitution. This report summarises the decisions taken under the urgency procedure and the use of call-in from July 2020 to the end of June 2021.

2.0 Procedure for decisions to be treated as urgent.

2.1 Standing Order 18 sets out the procedure for consideration of issues requiring an urgent decision and where any delay likely to be caused by call-in would seriously prejudice the Council's or the public's interest.

2.2 This procedure requires the consent of the Chair of the relevant Overview and Scrutiny Committee (or in his/her absence the Chair of Council, or in his/her absence the Vice-Chair of Council).

2.3 The consent is given on the basis that:

- the decision cannot reasonably be deferred; and
- the decision should be treated as a matter of urgency; and
- where the proposed decision is contrary to or not wholly in accordance with the Policy Framework or Budget it is not practicable to convene a quorate meeting of the full Council.

2.4 Group Leaders are advised whenever an urgent decision is proposed and the decision (and any supporting report) is published on the Council's website and all members notified. In addition, the Leader is required to report to Council each year on the details of each decision taken under the procedure and the reasons for their urgency.

3.0 Procedure for call-in

3.1 Executive decisions (i.e. those taken by Cabinet, Cabinet Portfolio Holder or Officer Key Decisions) can be called-in for consideration by the relevant Overview and Scrutiny Committee. The Chair of the Committee or four members can call in a decision within 5 days of the publication of the decision unless the decision has been subject to the urgency procedure described at section 2 above. (The procedure for call-in is set out at Standing Order 13.) Call-in delays the implementation of a decision and can have an impact on the speed of decision making in an authority if it is used extensively.

3.2 There has been no use of the call-in procedure in 2020/2021 in Warwickshire (as demonstrated at section 7 below).

4.0 The Coronavirus Pandemic

4.1 On 11 March 2020 the World Health Organisation confirmed Coronavirus as a Pandemic and countries around the world entered lock down to slow down the spread of the virus.

4.2 In order to address the negative impacts of the Covid-19 pandemic on Warwickshire and its neighbours, several urgent decisions were required to be made. These are set out in Section 6 below.

5.0 Decisions Taken under the Urgency Procedure from July 2020 to June 2021 (not related to the Coronavirus Pandemic).

5.1 17 August 2020 - Warwickshire County Council Response to the Teachers' Pay Consultation

The Portfolio Holder for Customer and Transformation was asked to approve Warwickshire County Council's response to LGA in respect of the government consultation on the 2020 Teachers Pay consultation.

The decision was considered to be urgent to be able to seek views on the consultation and to meet the deadlines set by the LGA.

The Chair of the Resources and Fire & Rescue Overview and Scrutiny Committee therefore gave his consent for this to be an urgent decision and the decision was approved.

5.2 18 August 2020 – (**Exempt**) Disability Access Adaptations

Deputy Leader (Portfolio Holder for Finance and Property) was asked to approve a decision in relation to disability access adaptations at a primary school in Warwickshire.

The decision was considered to be urgent to ensure work could start as soon as possible on site.

The Chair of the Resources and Fire & Rescue Overview and Scrutiny Committee therefore gave his consent for this to be an urgent decision and the decision was approved

5.3 9 September 2020 - Devolution and Local Government Reform -Case for Change

The Leader was asked to approve a decision relating to local government reform and a decision previously taken by Cabinet which had approved submission to Government of the Strategic Case for Change for unitary government in Warwickshire.

The decision was considered to be urgent to negate the requirement on the Chief Executive to implement the decision taken by Cabinet on 27 August 2020 enabling the issue to be considered by full Council on 22 September and thereafter by Cabinet.

The Chair of the Resources and Fire & Rescue Overview and Scrutiny Committee therefore gave his consent for this to be an urgent decision and the decision was approved

5.4 29 September 2020 - Devolution and Local Government Reform

Cabinet was asked to approve submission to Government of the Strategic Case for Change for unitary government in Warwickshire.

The decision was considered to be urgent to meet the deadline that had been indicated by the Secretary of State for MHCLG.

The Chair of the Resources and Fire & Rescue Overview and Scrutiny Committee therefore gave his consent for this to be an urgent decision and the decision was approved.

5.5 25 November 2020 - BEIS Low Carbon Skills Fund

The Portfolio Holder for Environment and Heritage & Culture was asked to approve an urgent decision in relation to an application made to the BEIS Low Carbon Skills Fund. Any successful bid would be used to assist reducing carbon emissions in the corporate portfolio of buildings.

It was considered that the decision was urgent as it was necessary to submit the application on an urgent basis as the BEIS low carbon skills fund was expected to be oversubscribed. In addition, to further delay an application would have placed significant risk on time to complete the funded work.

The Chair of the Communities Overview and Scrutiny Committee therefore gave his consent for this to be an urgent decision and the decision was approved.

5.6 27 January 2021 - BEIS Low Carbon Skills Fund and Public Sector Decarbonisation Scheme

Joint Decision - Portfolio Holder for Environment and Heritage & Culture and Deputy Leader (Portfolio Holder for Finance & Property)

A joint urgent decision was submitted in relation to the BEIS Low Carbon Skills Fund and
Public Sector Decarbonisation Scheme.

The first part was submitted to the Portfolio Holder for Environment and Heritage and requested approval for officers to confirm the bid for, and to commit to acceptance of revenue grant funding for an application made under the Department for Business, Energy and Industrial Strategy (BEIS) Low Carbon Skills Fund.

The Deputy Leader (Portfolio Holder for Finance & Property) was asked to give consent for an urgent decision to commit to the acceptance of capital grant funding and to its subsequent addition to the Capital Programme.

The decision was considered to be urgent to meet the deadline for submission date set by the BEIS Low Carbon Skills Fund.

The Chair of the Resources and Fire & Rescue Overview and Scrutiny Committee and the Chair of the Communities Overview and Scrutiny Committee therefore gave their consent for this to be an urgent decision and the decision was approved.

5.7 28 January 2021 - Better Care Fund Plan 2020/21

Cabinet was asked to make a decision relating to the arrangements for the Better Care Fund Plan, including the Council's pooled budget contribution and associated agreements that the Council would enter into to underpin these arrangements.

The decision was considered to be urgent to enable the matter to be considered on 29 January 2021 by the Warwickshire Health and Wellbeing Board. enabling funding for individual schemes to be transferred (between Clinical Commissioning Groups and the Council) before commencement of financial year end processes.

The Chair of the Adult Social Care and Health Overview and Scrutiny Committee therefore gave his consent for this to be an urgent decision and the decision was approved.

5.8 19 February 2021 - Submission of Bid Application to the DfT Rural Mobility Fund

An urgent decision was requested for the Portfolio Holder for Transport & Planning to approve the submission of a bid for external funding to the sum of £1.020million from the
Department for Transport's Rural Mobility Fund.

The decision was considered to be urgent owing to the deadline for submission of the bid application.

The Chair of the Communities Overview and Scrutiny Committee therefore gave his consent for this to be an urgent decision and the decision was approved.

5.9 10 March 2021 - Consultation on the governments Green Paper on Procurement Reform

The Portfolio Holder for Customer and Transformation was asked to approve the Submission of Warwickshire County Council's response to the government Green Paper on Procurement Reform. The proposals within the Green Paper are wide ranging and detailed and required significant consideration by officers.

The decision was considered to be urgent due to the deadline for submission of the response.

The Chair of the Resources and Fire & Rescue Overview and Scrutiny Committee therefore gave his consent for this to be an urgent decision and the decision was approved.

5.10 25 March 2021 – (**exempt**) Insurance Renewals

The Leader of the Council was asked to approve an urgent decision in relation to an extension to existing long term arrangements with external insurers.

The decision was considered to be urgent because of the policy renewal date and to ensure that there was no break in cover.

The Chair of the Resources and Fire & Rescue Overview and Scrutiny Committee therefore gave his consent for this to be an urgent decision and the decision was approved.

5.11 27 May 2021 - Microsoft License re-procurement

The Leader of the Council of the Council was asked to approve an urgent decision for the re-procurement of the Microsoft Licenses for a 3-year term with the existing Microsoft reseller. The reseller advised that Microsoft were experiencing a backlog in processing license renewals due to demand resulting from the release of a revised and advantageous pricing structure negotiated by Crown Commercial Services.

The decision was considered to be urgent because of the backlog at Microsoft and the requirement for Council to receive the commercial benefit from the revised structure.

The Chair of the Resources and Fire & Rescue Overview and Scrutiny Committee therefore gave his consent for this to be an urgent decision and the decision was approved.

5.12 27 May 2021 – S278 Developer–funded Improvement Scheme at Shottery Link Road, Stratford-upon-Avon

The Leader of the Council was asked to approve the award of the S278 Fully developer funded highway improvement scheme at the Shottery Link Road. Since the original submission, the estimate for the schemes cost increased in the quarterly capital reporting to £3.5m.

The decision was considered to be urgent as a result of the requirement to facilitate access on site and without the approval from The Leader of the Council, it may have become necessary to re-tender the works as the validity period of the submitted price would run out. In addition, a delay to the works to complete a new tender would have affected the developer's ability to meet their planning obligations.

The Chair of the Communities Overview and Scrutiny Committee therefore gave his consent for this to be an urgent decision and the decision was approved

5.13 2 June 2021 – response to two DEFRA resources and waste strategy consultations: Extended Producer Responsibility and Deposit Return Scheme

The Portfolio Holder for Environment, Climate and Culture was asked to approve the submission to DEFRA of two consultation responses under the urgency procedure. The consultations were in relation to the Extended Producer Responsibility and the Deposit Return Scheme.

The Extended Producer Responsibility for packaging will provide local authorities with full
net costs for the management of municipal packaging waste – collection, sorting, recycling, treatment, and disposal of all waste arising from curb-side collections, HWRCs and litter. The Deposit Return Scheme for beverage containers has the potential to reduce litter, improve capture for recycling and improve quality of material for recycling.

The decision was considered to be urgent due to the deadline for responses to be submitted to DEFRA.

The Chair of the Communities Overview and Scrutiny Committee therefore gave his consent for this to be an urgent decision and the decision was approved

5.14 16 June 2021 - UK Community Renewal Fund bids

The Leader of the Council of the Council was asked to approve the bid submission for the UK Community Renewal Fund to the Ministry of Housing, Communities and Local Government (MHCLG).

The decision was considered to be urgent owing to the timescales around the bidding process for this particular Government Grant.

The Chair of the Resources and Fire & Rescue Overview and Scrutiny Committee therefore gave his consent for this to be an urgent decision and the decision was approved

6.0 Decisions Taken under the Urgency Procedure in relation to the Coronavirus Pandemic from July 2020 to June 2021.

6.1 3 July 2020 - Funding for Improvements to Country Parks' Car Parking Facilities

The Leader of the Council was asked to approve the allocation of funds from the Capital Investment Fund to a project to upgrade the Country Park's car parking facilities. One of the key reasons for the decision was the risk of transmission of Covid-19 for visitors and staff in using cash-based machines. Additional risks highlighted included theft, damage and dangerous queuing at sites like Kingsbury Water Park.

The decision was considered to be urgent due to the need to install the cashless machines as soon as possible to assist in the reduction of the spread of Covid-19.

The Chair of the Communities Overview and Scrutiny Committee therefore gave his consent for this to be an urgent decision and the decision was approved

6.2 6 July 2020 - Changes to the Warwickshire County Council Adult Social Care Charging Policy for the financial year (2020/21)

The Portfolio Holder for Adult Social Care and Health was asked to approve a decision allowing Warwickshire County Council to amend its approach under section 3 of the Adult Social Care Charging Policy for this financial year (2020/21) so as to discount temporary uplifts in Universal Credit granted by the government in response to the Covid-19 Pandemic.

The decision was considered to be urgent because of the financial impact on service users during the Covid-19 Pandemic and the fact that assessments were being undertaken to which this assessment criterion is relevant.

The Chair of Adult Social Care and Health Overview and Scrutiny Committee therefore gave his consent for this to be an urgent decision and the decision was approved

6.3 21 October 2020 - Delegation of Coronavirus Powers

The Leader of the Council was asked to delegate the functions conferred on local authorities to enforce statutory requirements on service providers to collect and manage contact details be delegated to the Strategic Director for Communities so that officers can be authorised to issue fixed penalty notices under the Health Protection Coronavirus, Collection of Contact Details etc. and Related Requirements) Regulations 2020 (other than any power to prosecute).

Given the importance of effective enforcement during the Pandemic, any delay beyond what is reasonable could seriously prejudice the public interest. Therefore, the decision was considered to be urgent to ensure that the Council can fulfil its functions as set out within the Health Protection (Coronavirus, Collection of Contact Details etc. and Related Requirements) Regulations 2020.

The Chair of the Adult Social Care and Health Overview and Scrutiny Committee therefore gave his consent for this to be an urgent decision and the decision was approved

7.0 Annual Monitor of the use of Call-in

There were no call-ins during the year. The number of call-ins has remained low over the last ten years, with no call-ins over the last four years, as illustrated below.

10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
2	1	1	2	2	5	1	0	0	0	0

8.0 Annual Monitor of the Use of the Urgency Procedure

There have been seventeen instances of use of the consent to urgency procedure over the last year.

Fourteen urgent decisions were made which did not relate to the Coronavirus pandemic. Of these, seven of the urgent decisions related to either responses to Government consultations or applications for Government grant funding where deadlines for submission required use of the urgency procedure.

There were three urgent decisions made in relation to the pandemic. This is a reduction from twelve Covid related urgent decisions made in 2019/2020; continuing to reflect the situation that all authorities face.

10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
1	3	6	8	6	5	11	8	7	17	17

9.0 Conclusion

While the overall number of urgent decisions made by the Council for 2020/21 has remained static compared to 2019/20, there has been an increase in non-Covid related decisions.

In 2019/2020, there were five non-Covid related decisions. This has increased to fourteen for 2020/2021, seven of which related to responses to Government consultations or applications for Government grant funding.

There has also been a reduction in the need for urgent decisions made in response to the Pandemic; with a reduction from twelve in 2019/2020 to three in 2020/2021.

There have been no call-ins during 2020/21.

10.0 Background papers

None

	Name	**Contact Information**
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The report was not circulated to members prior to publication.

Council

1 July 2021

Overview and Scrutiny Annual Report 2020/2021

Recommendation

That Council notes the Overview and Scrutiny Annual Report 2020/2021

1.0 Summary

At the end of each municipal year, an Overview and Scrutiny Annual Report is produced to highlight the activity of the Overview and Scrutiny Committees throughout the year. The report includes the achievements of the Committees and demonstrates where the scrutiny function has added value to the organisation, in terms of improved service delivery and helping the Council to achieve its corporate ambitions.

The Overview and Scrutiny Annual Report 2020/2021 is attached for the Council's consideration.

2.0 Background Papers

None

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Report Author	Helen Barnsley	helenbarnsley@warwickshire.gov.uk Tel 01926 412323
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The report was circulated to the following members prior to publication:

Local Member(s): None
Other members: Councillors Yousef Dahmash, Clare Golby, Wallace Redford, Izzi Seccombe and Adrian Warwick

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Warwickshire County Council

Overview and Scrutiny Annual Report

2020 - 2021

Introduction

Welcome to the 2020/2021 Warwickshire County Council review of Overview and Scrutiny. This report highlights key issues undertaken and completed by each of the Council's Overview and Scrutiny Committees. Effective scrutiny serves to hold the administration to account and helps the development of new policies. In addition to formal committee meetings, delivery of the work programme is achieved through briefing notes and 'task and finish' groups that focus on areas of concern or development.

Each Overview and Scrutiny Committee, made up of non-Cabinet members, meets approximately four times a year. On March 11, 2020, the World Health Organisation confirmed Coronavirus as a Pandemic and countries around the world went into lock down to slow down the spread of the disease. As a result of the requirement to move to virtual meetings, some scheduled meetings had to be postponed. In each case, members and officers worked closely to ensure that nothing was lost from the work programme; and that as soon as protocols were in place, meetings were held again virtually. Additions to each committee's work programme included updates in relation to the impact of the Pandemic on each service area relevant to the committee.

Residents of Warwickshire have always had an open invitation to put forward items for consideration by the relevant committees. Work was done to ensure that this was not impacted by the Pandemic. Each meeting, while held virtually, was streamed lived via the Council's YouTube channel. Proposals from the public, as well as from other members and officers are considered at a meeting of the Chair, Vice-Chair, Group Spokespersons and if considered appropriate will be added to the committee's work programme.

In May 2021, Warwickshire County Council held an election and as a result, welcomed 26 new members; many of whom now have a place on one of the four scrutiny committees. Looking forward to 2021/2022, Overview and Scrutiny Committees will continue to have a key role to play in the quality of services delivered to the people of Warwickshire.

As we continue to recover from the Pandemic, one step at a time, there will be a key role for the Overview and Scrutiny Committees to consider all aspects of recovery as are relevant to their remit. I am confident that their contribution will be a positive one

Councillor Isobel Seccombe

Leader of Warwickshire County Council
July 2021

Contents

Adult Social Care and Health
Overview and Scrutiny Committee

This Committee reviews and scrutinises the provision of public services in Warwickshire relating to adult social care services including social care to older people and people with disabilities, policies and services for safeguarding adults and any matter relating to the planning provision and operation of health services for adults and children in Warwickshire

> *““This Overview and Scrutiny Committee has a broad remit, monitoring organisations that commission and provide health and social care services throughout Warwickshire.*
>
> *This includes a focus on clinical commissioning groups (CCGs), acute and primary care providers, work with Healthwatch Warwickshire, as well as monitoring services commissioned and provided by the County Council. The committee’s workload is considerable and requires prioritisation. The response to the Covid-19 Pandemic throughout this year has impacted on many of the services under the committee’s remit, set against a backdrop of continued change within the commissioning and delivery of services.”*

Councillor Wallace Redford

Internal Support and Areas of Scrutiny

The committee is supported by lead officers in the People Group who purchase (commission) or deliver social care and public health services. Members scrutinise individual service areas, whilst also focusing on performance against targets. Examples are provided below of the focus areas during this year. Briefing documents between meetings and themed development sessions add capacity to broaden members’ understanding of the wide range of services within the committee’s remit. A wider briefing session was held during this year on the Home Environment Assessment and Response Team, with periodic written briefings too.

Health

The committee scrutinises the performance of local health commissioners and service providers. It also has a statutory scrutiny role in relation to health service reconfigurations. A key area for review this year was the merger of the three clinical commissioning groups serving Coventry and Warwickshire into a single organisation. This was considered at three meetings after which, the committee offered its support to the proposals.

The response to the Covid-19 Pandemic has been considered throughout this year. It created an unprecedented situation, which the Coventry and Warwickshire health and care system responded to with significant pace, implementing a four-phase response to the first wave of the Pandemic and was impacted by subsequent waves, particularly over the winter period.

Throughout this year reports were provided by NHS colleagues. David Eltringham, Managing Director of the George Eliot Hospital and Chair of the Warwickshire North Place Executive addressed the committee, providing updates on the impact of Covid-19 and the reinstatement of services. Updates were also provided by him on phlebotomy services, in response to concerns raised by members at an earlier meeting and about additional theatre capacity to assist in tackling the backlog of elective surgery procedures. A comprehensive update was provided by the West Midlands Ambulance Service NHS Trust, covering a range of service and performance aspects, including hospital handover, the 111 service, the impact of the Covid-19 Pandemic and maternity developments.

Joint Scrutiny

Through joint scrutiny work with neighbouring areas, the committee is represented on health service reviews affecting Warwickshire residents. The area covering both Coventry and Warwickshire is the ‘footprint’ for this work and a joint health overview and scrutiny committee meets to review service reconfiguration proposals affecting both areas. There are reciprocal arrangements for the chairs to attend their counterpart’s health scrutiny meeting. There is a joint scrutiny committee for the Horton General Hospital in Banbury, which has been reconvened to look at the masterplan for the development of services at this hospital. Internally, joint committees are held with the Children & Young People OSC and the Communities OSC on areas of common interest. Details are reported elsewhere in this annual report on those joint arrangements.

Public Health and Strategic Commissioning

The Director of Public Health and Strategic Director for the People Group attend every meeting, providing important updates to members. During this year there was a strong focus on the Covid-19 Pandemic with officers providing reports on the proposed recovery approach after the first wave. A standing item from the Director of Public Health provided updates to members on Covid case data across the region and locally, as well as the test, trace and isolate work, including advice and support to employers/businesses. Later updates reported progress with the vaccination programme and initiatives to respond to new variants of Covid.

Work with Partners

The committee works closely with Healthwatch Warwickshire, the voluntary organisation which provides the ‘patient voice’. Healthwatch has an active role in shaping the committee’s work programme; it contributes to debate in meetings and updates the committee on its own work areas. During this year, Healthwatch presented the findings from its survey of how Covid-19 had affected the health and wellbeing of local people. A key aspect identified was the impact on mental wellbeing.

A new initiative introduced this year is ‘Questions to the NHS’. Committee members give notice of questions to service commissioners and providers on any issue in relation to health services. An NHS representative will attend the meeting to give a verbal response and where appropriate, this is followed by a detailed written briefing.

This is in addition to the member ‘question time’ to the Portfolio Holder for Adult Social Care and Health, who for this year was Councillor Les Caborn who also chaired the county Health and Wellbeing Board.

Engagement with the Public

A public speaking item is included on the agenda for every meeting. During this year, there have been public questions and statements submitted by individuals and groups to several meetings, in the main concerning the Covid-19 Pandemic and responses to it. Examples are the test, trace and isolate work, the ability of local volunteers to assist with contact tracing, CCG deficits and false negative Covid test results.

Key Organisations monitored by the Committee

Clinical Commissioning Groups: Coventry and Rugby, South Warwickshire, and Warwickshire North

Provider Trusts: Coventry and Warwickshire Partnership Trust, George Eliot NHS Hospital Trust, South Warwickshire Foundation Trust, University Hospitals Coventry and Warwickshire, West Midlands Ambulance Service University NHS Foundation Trust.

Key partners that the Committee engages with as part of its remit

- Care Quality Commission
- Coventry City Council and Oxfordshire County Council (joint health scrutiny)
- District and borough councils (co-opted representation)
- Healthwatch Coventry
- Healthwatch Warwickshire
- NHS England and NHS Improvement

Children and Young People
Overview and Scrutiny Committee

This committee reviews and scrutinises the provision of public services in Warwickshire relating to education and skills, services for children, families and young people including schools, 16-19 years education, pre-school children, child protection, family support and social care, children with specific needs and the Youth Service. This meeting is open to the public, unless otherwise stated.

> *I would like to place on record my thanks to everybody who has been involved in the work of the Committee over the past year. I would particularly like to thank our Democratic Services Officer, Helen Barnsley, who has diligently and deftly supported Members throughout the past twelve months and ensured the smooth running of the Committee despite the restrictions of the pandemic.*
>
> *As members will know the Committee has a broad remit and areas of particular focus include the continuing high demand for children's services and improving education in Warwickshire.*
>
> *With this latter point in mind the Committee met once again with representatives from the Midlands Academy Trust in February 2021. The meeting was positive and set in motion plans to help ensure the relationship continues to be constructive and productive in the years ahead.*
>
> *Over the past year committee members have been involved in two task & finish groups. The first was on SEND and Inclusion and was completed in early 2021 with a formal report presented to the Committee at its February meeting. Members agreed recommendations for officers to take forward and all involved felt it was a useful and productive exercise; we all hope it will make a difference.*
>
> *Work is underway to establish a second task and finish group following the Committee meeting in September 2020 in relation to the support needs of young people linked to their emotional health and wellbeing, and mental health. Work began before the recent local government elections when officers met with young people to establish the scope for the group. The pandemic has had an immense effect on the children and young people who use the council's services and the work which will be carried out by this group will be vital.*
>
> *I would like to take this opportunity to welcome new members to the Committee; I look forward to working with you over the next twelve months. Highlights of the previous twelve months can be found below.*
>
> Councillor Yousef Dahmash

The House Project

The Committee received an update on The House Project which supports young people to become independent after they have left care. The House Project is a growing National project and the Committee was keen to support it in any way they could. Two young people were invited to the meeting to speak about their experience of the project and offer feedback on what had worked well for them, and what could be improved for future cohorts. The work with local landlords to explain the project and give them a better understanding of their tenants was highligted.

It was agreed that the committee will continue to receive regular updates on the project and that officers will advise of any support that they can provide.

Nuneaton Education Strategy Update

Cabinet endorsed the Nuneaton Education Strategy in March 2020 involving multiple partners who would be supporting the strategy. It was confirmed that meetings had continued throughout the lock down periods and that things were continuing to move forward. The committee agreed that it would be beneficial to set some targets so that the committee could track the progress on delivery of the strategy. It was agreed that some targets could be based on OFSTED judgements but that until inspections restarted following lockdown this would be hard to achieve. It was therefore agreed that a recommendation be added to the strategy for a further update to be presented to the committee in six months' time.

Formulation of the Education Sufficiency Strategy

Warwickshire is growing in terms of need for pupil places and the committee was keen to get a full understanding of the processes and practicalities involved. Members raised several questions including parental preference, response to new developments, bulge classes and the number of temporary classrooms in use. Members received a detailed report and responses were provided to their questions. However, the committee felt that the issue is challenging and, with the added impact of the Pandemic, would need to be regularly reviewed.

SEND & Inclusion Change Programme – Task and Finish Group

In September 2020, Warwickshire County Council agreed a motion requesting that the Children and Young People Overview and Scrutiny Committee set up a Task and Finish Group to monitor delivery of SEND provision.

The scope of the task and finish group was agreed at the first meeting and was confirmed as:

- Providing confidence and assurance to Overview and Scrutiny on the approach and governance of the programme
- Identifying projects/ themes of focus over which Overview and Scrutiny may wish
  to monitor progress more closely
- Identifying ways in which Members could add value to the objectives of

the programme

Four meetings took place and focused on each of the areas agreed in the scope. Session three involved a question and answer session with three Warwickshire Head Teachers who were able to give the group their perspective of the current SEND provision.

Twelve recommendations were agreed in accordance with the SENT & Inclusion Change Programme timeline and progress will be regularly monitored by the Committee.

Briefing Notes

As a result of some meetings being cancelled, it was agreed that certain information would be circulated to members outside of formal meetings. This would ensure that members were kept up to date as much as possible. Members were asked to provide feedback directly to the officers involved in the report or raise an issue at the next committee meeting as part of the work programme.

The following topics were covered by briefing notes;

- Early Help – One Year One
- Youth Service Offer
- Self-Harm Task and Finish Group – progress update

Joint Children & Young People and Adult Social Care & Health
Overview and Scrutiny Committee

Joint overview and scrutiny committee (OSC) meetings are arranged to consider cross-cutting issues that involve two or more scrutiny areas.

The Adult Social Care & Health and Children & Young People OSCs had previously commissioned a joint review into children and young people's mental health and wellbeing services.

An outcome from that work is periodic review meetings involving both committees. One such review meeting took place during 2020/21. The service providers, Coventry and Warwickshire NHS Partnership Trust and Coventry and Warwickshire Mind gave an update and presentation to members on the Rise Service in October 2020.

This focussed on the Local Transformation Plan, the response to the Covid-19 Pandemic, key updates from workstreams and a question and answer session with members on achievements and challenges.

At the same meeting members received an update on the co-produced Coventry and Warwickshire all age autism strategy. This item informed members of the work undertaken, the priorities identified and plans for delivery of the strategy.

Joint Adult Social Care & Health and Communities Overview and Scrutiny Committee

At the September 2020 meeting of Full Council, a cross-party motion was moved that a report should be presented to a joint meeting of the Adult Social Care & Health and the Communities Overview & Scrutiny Committees.

The motion asked the committees to review ongoing work and consider establishing a task and finish group (TFG) to investigate any race inequalities across Warwickshire both internally and externally, in relation to meeting the needs of Black, Asian and minority ethnic (BAME) communities within Warwickshire; this included health inequalities.

In November 2020, the joint committee received updates on health, education, economy & skills and equality, diversity, and inclusion within the council and across Warwickshire. The committee requested updates on the Council's ongoing work and requested a follow up meeting in late 2021.

Communities
Overview and Scrutiny Committee

This committee reviews and scrutinises the provision of public services in Warwickshire relating to community safety, trading standards, transport and highways, economic development and environment, adult learning, heritage, tourism, flood risk management and emergency planning. This meeting is open to the public, unless otherwise stated.

> *"2020 was one of the most testing times for councils up and down the country and my first year as Chair of this committee.*
>
> *I would like to put on record my heartfelt thanks to the officers who have worked so hard and provided a great deal of support to us as members in order for us to continue robust scrutiny of issues affecting our communities in these challenging times. I would also like to thank committee members who have also had to deal with challenges of a new way of working but have continued to engage in the overview and scrutiny process.*
>
> *We have covered many subjects ranging from transport to business, children's school safety zones to section 106 funding and issues affecting our BAME communities.*
>
> *In the case of School 20mph zones, we have also produced recommendations to cabinet which have subsequently been accepted and used to form the basis of new policy where 20mph zones around schools would be implemented.*
>
> *This is a great example of Scrutiny working well and having a tangible benefit to our communities."*
>
> Councillor Clare Golby

Motions to the committee –Buses

At the December 2019 meeting of Full Council, the County Council agreed a motion that a report be taken to the committee which would focus on the council's powers regarding buses, S106 contributions which were put towards bus service provision, schemes set out in the 2000 Transport Act and 2017 Bus Services Act, the resources required to successfully deliver the Council's key objectives regarding buses, and electric buses. This report was received in September 2020 and the committee endorsed the recommendations.

External presenters

2020-2021 saw several presenters from outside the Council including West Midlands Trains, West Midlands Railway Executive, Coventry & Warwickshire Local Enterprise Partnership, Public Health, and the University of Warwick. The topics considered varied from supporting local businesses during the Covid-19 Pandemic, air quality, reducing car usage, ongoing rail projects, and the effect that Covid-19 has had on public transport. All the presenters were well received by the committee and stated that they were happy to return to the committee in the future.

Matters relating to public transport (buses and trains) were reported frequently to the committee.

20mph Zones and School Safety

Following theNovember 2020 Communities OSC a report was submitted to the December Cabinet meeting, presenting the recommendations of a short-term Communities OSC established Task and Finish Group (TFG). This TFG recommended Cabinet to support the internal bids for two School Travel Plan Officer roles for a two-year period; or, Cabinet to consider adding funding for the roles to the budget proposals to be recommended to Council in February 2021. Cabinet unanimously supported the recommendations which also received cross-party support. The work of this TFGhighlighted the importance of 20mph zones around schools.

Following Full Council approval of the budget in February 2021, it was clarified at the February 2021 meeting of Communities OSC that efforts would be made to speed implementation of 20mph zones around schools from May 2021..

Section 106 Funding

In February 2021 the committee received a report on S106 funding which was well received by members. The legislation governing Section 106 and Community Infrastructure Levy (CIL) developer contributions had been amended to introduce a requirement for local authorities to publish an ‘Annual Infrastructure

Statement’ (“AIS”) which sets out developer contributions for the previous financial year. The committee were able to raise their concerns around S106 funding being provided at the right time, developers adopting roads/S38 funding, and funding being used to help the NHS.

Resources and Fire & Rescue Overview and Scrutiny Committee

This Committee reviews and scrutinises the Warwickshire Fire & Rescue Service, budget, medium term financial plan, corporate business plan, planning and performance arrangements, finance, property, information technology, facilities management, workforce strategy and development, law and governance, libraries, customer service and communications

During 2020/21, the Resources and Fire & Rescue Overview and Scrutiny Committee has continued in its robust scrutiny of the internal functions of Warwickshire County Council. I would like to thank the members of the Committee, and the officers who have supported it, for their dedication and hard work.

The impact of Covid-19 has meant that the events of the past 12 months have been unlike any other. The ongoing effects and implications of the Pandemic will undoubtedly remain an area of intense interest to the Committee.

Over the last 12 months, the Committee has reviewed the Authority's Covid-19 Recovery plans, proposals for Warwickshire Property and Development Group Company, the direction of the 'Our People' Strategy, the Heritage and Culture Strategy, digital connectivity, and much more.

The Committee also took a keen interest in matters relating to Warwickshire Fire and Rescue Service (WFRS) including the development of an Integrated Risk Management Plan, and the implications of the construction phase of the High Speed 2 (HS2) rail project. The Committee was also pleased to receive details of the positive findings of the HMICFRS Covid-19 Inspection report for WFRS.

Some of the highlights of the Committee's work can be found below.

Councillor Adrian Warwick

Covid-19 Recovery

In June 2020, the Committee received an overview of the Council's approach to recovery from the Covid-19 Pandemic and provided input into the development of a Recovery Plan. This touched upon many areas relevant to the scope of the Committee, including development of new ways of working, reinstatement of services, support for vulnerable people, delivery of food parcels to those in need, and a remotely operated library service.

The Committee highlighted the importance of engagement with the voluntary and community sector, as well as town and parish councils, to deliver successful recovery strategies. The effectiveness of the Authority's Welfare Scheme and Free School Meals service was praised. Members highlighted the foresight demonstrated by the roll-out of Surface Pro devices and implementation of robust agile working ICT systems. These had substantially improved the organisation's resilience during the Pandemic.

'Our People' Strategy

In December 2020, the Committee reviewed the delivery priorities underpinning the development of the Our People Strategy (OPS) Delivery Plan 2021/22. Members took the opportunity to examine the implications of the rapid organisational change brought about by Covid-19. The response to the Pandemic had shown the resourcefulness and resilience of Council officers; the OPS sought to build upon this progress to develop a sustainable and agile workforce.

The Committee took a keen interest in the measures in place to support new starters and promote personal development during the period of the Pandemic. The availability of digital resources had provided an effective contingency. However, members were assured that long-term requirements for staff development had not been overlooked.

Attention was given to the effectiveness of homeworking arrangements to ensure that staff were adequately resourced and supported to work in a safe environment.. The importance of the role performed by line managers was highlighted.

Digital Connectivity

The Committee has taken a longstanding interest in the expansion of digital infrastructure across Warwickshire. The impact of Covid-19 has underlined the importance of effective broadband provision and connectivity. In December 2020, the Committee sought an update regarding the Coventry, Solihull and Warwickshire Superfast Broadband project.

The Committee was reasuured to hear that, to date, the project has provided superfast connectivity to 98% of premises (businesses and residential) across Warwickshire; additional full fibre connections would increase coverage to 99% by 2022. A bid to access funding from the government's Full Fibre Network Challenge Fund had been successful, making £5.7m available to deliver gigabit full fibre network connections to public buildings including schools, libraries and fire and rescue sites. This also substantially improved the provision of digital infrastructure for neighbouring residential and business premises at these locations.

It was noted that property developers were not legally obliged to provide a full fibre connection to new housing developments. Members commented that this constituted a missed opportunity and observed that a change in planning legislation would confer broader advantages. The Committee highlighted the importance of robust partnership working with borough and district councils to prioritise broadband connectivity within the planning process.

Heritage and Culture Strategy

In March 2021, the Committee received an update in respect of the Heritage and Culture Strategy which included an assessment of the impact of coronavirus on this sector. The Committee was pleased to hear that efforts had been made to signpost organisations to funding opportunities such as the Culture Recovery Fund.

A sector-wide survey had been undertaken to gauge the impact of the Pandemic. Its findings suggested that the Council could intervene effectively by providing marketing and peer-to-peer support for arts and heritage organisations. This presented a valuable means to attract people back to cultural events once the risk of transmission of the virus had subsided. The Committee recognised the importance of this type of intervention and indicated its wholehearted support.

High Speed 2 (HS2)

In June and September 2020, the Committee was updated in respect of enabling work being undertaken for the HS2 rail project prior to commencement of construction work. Warwickshire Fire and Rescue Service (WFRS) was a key stakeholder and had liaised with HS2 Ltd to ensure that the impact of the project could be managed effectively. The Committee was provided with a thorough overview of the extent of the engineering work proposed, as well as the anticipated effect on the highway network.

The Committee was assured that effective channels of communication had been established to ensure that WFRS would receive advance notification of temporary road closures; arrangements were in place whereby WFRS could utilise construction access routes on closed sections of highway if required. This would mitigate the impact of the scheme on emergency response times.

The Committee recognised the long-term implications of a project of this scale and highlighted the multiple risks posed by construction work. The increased burden on WFRS and local communities was acknowledged. It was recommended that the Integrated Risk Management Plan (IRMP) be attuned to the ongoing nature of additional hazards.

Integrated Risk Management Plan (IRMP) 2020-2025

In September 2020, the Committee received details of the proposal to establish an IRMP Assurance Panel. This would enable scrutiny of WFRS's delivery of the IRMP and to monitor progress against annual action plans. Members expressed support for the proposal, highlighting the effectiveness of previously convened bodies of this type and the value of critical challenge.

In March 2021, the Committee reviewed the IRMP 2020 – 2025. An update was provided on the outcome of the public consultation on the five proposals underpinning delivery of the Plan. Members praised WFRS's focus on equality, diversity and inclusion, as well as the prioritisation of road safety initiatives. The Committee recommended that Council approve the IRMP and the proposals therein.

HMICFRS Covid-19 Inspection Report

In March 2021, members received an update of the findings of Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services' (HMICFRS) inspection of the response of WFRS to the unique challenges of Covid-19.

Members were pleased to learn that HMICFRS had praised the ability and willingness of WFRS to maintain its delivery of statutory functions whilst supporting the community with a wide range of activities during a demanding period.

The Committee heard that WFRS had taken a leading role in raising the potential issue of whether furloughed on-call firefighters would continue to qualify for payments from their primary employer. This had been responded to promptly by the National Fire Chiefs Council, enabling on-call firefighters to continue to play a part. This advice had helped other fire and rescue services and was noted by HMICFRS in their report.

The Committee commended the Fire and Rescue Service for the positive outcome of the inspection and expressed its thanks to WFRS for its continued delivery of high-quality services during an exceptionally challenging time.

Overview and Scrutiny Committees – Membership

Adult Social Care and Heath

Councillors Wallace Redford (Chair), Margaret Bell (Vice-Chair), Helen Adkins, Jo Barker, Mike Brain, John Cooke, Andy Jenns, Keith Kondakor, Jerry Roodhouse and Kate Rolfe.

Co-opted District and Borough Council Members
Councillor Judy Macdonald (North Warwickshire)
Councillor Tracy Shepherd / Barry Longden (Nuneaton and Bedworth)
Councillor Sally Bragg (Rugby)
Councillor Penny O'Donnell (Stratford)
Councillor Pamela Redford (Warwick)

Children and Young People

Councillors Yousef Dahmash (Chair), Pam Williams (Vice-Chair), Margaret Bell, Jonathan Chilvers, Corinne Davies, Peter Gilbert, Daniel Gissane, Howard Roberts, Dominic Skinner and Chris Williams

Co-opted Members
Joseph Cannon – Parent Governor
John McRoberts – Church Representative
Rev. Elaine Scrivens – Church Representative
Sean Taylor – Teacher Representative

Communities

Councillors Clare Golby (Chair), Dave Shilton (Vice-Chair), Jenny Fradgley, Seb Gran John Holland, Andy Jenns, Keith Kondakor, Andy Sargeant, Bhagwant Singh Pandher and Andrew Wright

Resources and Fire & Rescue

Councillors Adrian Warwick (Chair), Parminder Singh Birdi (Vice-Chair), Sarah Boad, John Cooke, Judy Falp, Peter Gilbert, Andy Jenns, Maggie O'Rourke, David Reilly and Alan Webb.

Getting Involved

Listening to the views of Warwickshire's residents is a crucial part of the work carried out by Overview and Scrutiny Committees.

If you have any queries or questions about scrutiny, or want to suggest a topic for the Committee to look at, please contact the Democratic Services Team

- Email us: democraticservices@warwickshire.gov.uk
- Tweet us: @WarksDemocracy
- Watch us: warwickshire.public-i.tv
- Call us: 01926 412113

You can keep up to date with the work of the Overview and Scrutiny Committees, Task & Finish groups and any other reviews or panels by visiting our website: www.warwickshire.gov.uk/scrutiny

The Committees look at key developments and Council priorities, service performance and strategic issues. Queries on individual matters or cases need to be raised with the appropriate service team directly.

Scrutiny Committee	Contact
Adult Social Care and Heath	Paul Spencer

	Senior Democratic Services Officer paulspencer@warwickshire.gov.uk
Children and Young People	Helen Barnsley Democratic Services Officer helenbarnsley@warwickshire.gov.uk
Communities	Isabelle Moorhouse Trainee Democratic Services Officer isabellemoorhouse@warwickshire.gov.uk
Resources and Fire & Rescue	John Cole Trainee Democratic Services Officer johncole@warwickshire.gov.uk

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County Council

1 July 2021

Terms of Reference for the Warwickshire Fire and Rescue Local Pension Board

Recommendation

That the Council approve the revised Terms of Reference for the Warwickshire Fire and Rescue Local Pension Board as set out in the appendix.

1. Executive Summary

1.1 The Warwickshire Fire and Rescue Service Local Pension Board (the Local Pension Board) was set up in 2015 to assist Warwickshire County Council in ensuring that it is complying with relevant laws and regulations in the governance and operation of the Firefighter Pension Schemes. The operations of the Local Pension Board are guided by Terms of Reference which should be reviewed and updated from time to time.

1.2 This review of the Terms of Reference has regard to relevant guidance issued by the Scheme Advisory Board for the Firefighter Pension Schemes and the draft has been reviewed and commented on by the Fire and Rescue Local Pension Board and the Staff and Pensions Committee.

2. Financial Implications

2.1 None.

3. Environmental Implications

3.1 None.

4. Supporting Information

4.1 The key changes to the document are highlighted below:

Section	Change
3.9	Protocol introduced for employer representatives ceasing to hold office.

3.10	Protocol introduced for identifying and selecting employer and member representatives.
4.2	Protocol introduced for chairing the board if the Chair is not in attendance
7.	Additional clarification around roles of officers and advisers
9.1	Meeting frequency updated to quarterly
9.2	Annual schedule of meetings must now include a forward plan of future agenda items
9.4	Protocol introduced for meeting location and timing
9.5	Protocol introduced for exempt / confidential reports
9.6	Protocol introduced for calling special meetings
11.2	Code of conduct updated in respect of County Councillor responsibilities
15.3	Reference for added training costs
15.4	Protocol introduced for claiming expenses
15.5	Protocol introduced for setting budget for Board costs
16	Scope of the reporting breaches section broadened to encompass breaches or wider concerns, including specification for reporting to the Scheme Administrator, pension fund committees and scheme members and employers

5. Timescales associated with the decision and next steps

5.1 Following approval by the County Council the Terms of Reference will be fully adopted and published.

Appendix

Terms of Reference for the Warwickshire Fire and Rescue Local Pension Board.

Background Papers

None.

	Name	**Contact Information**
Report Author	Chris Norton Neil Buxton	chrisnorton@warwickshire.gov.uk neilbuxton@warwickshire.gov.uk
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Lead Director	Strategic Director for Resources	robpowell@warwickshire.gov.uk
Lead Member	Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

The report was not circulated to members prior to publication.

Terms of Reference for the
Warwickshire Fire and Rescue Local Pension Board of the Firefighters' Pension Scheme

1) Introduction

1.1 The Public Services Pensions Act 2013 (the '2013 Act') requires the establishment of a Pension Board with responsibility for assisting the Scheme Manager in securing compliance with all relevant pensions laws, regulations and directions and the Pension Regulator's Codes of Practice.

1.2 This document sets out the terms of reference for the new Fire and Rescue Local Pension Board of the Firefighters' Pension Scheme (Warwickshire) (the 'Pension Board').

2) Role and Responsibilities of the Pension Board

2.1 The role of the Pension Board as defined by The Firefighters' Pension Scheme (amendment) (Governance) Regulations 2015 (the 'Regulations') is to -

2.1.1 Assist the Scheme Manager -

(a) to secure the effective and efficient governance and administration of the Firefighters' Pension Scheme ("FFPS") by effectively and efficiently complying with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator;

(b) to secure compliance with the Regulations and any other legislation relating to the governance and administration of the FFPS;

(c) to secure compliance with requirements imposed in relation to the FFPS by the Pensions Regulator; and

(d) in such other matters as the Regulations may specify

2.1.2 Provide the Scheme Manager with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest;

2.1.3 Produce an annual report to the Scheme Manager outlining the work of the Pension Board throughout the scheme year.

2.2 The Pension Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

2.3 The Pension Board will not have decision making powers in relation to the FFPS save as refer issues to the Pension Regulator. It will have the ability to hear disputes employers may have with the Fund.

3) Membership

3.1 The membership of the Pension Board shall consist of seven (7) members each to include -

a. Scheme Member Representatives x 3
b. Employer Representatives x 3
c. Independent Representative x 1

3.2 Scheme Member and Employer Representatives to remain equal at all times.

3.3 Scheme Member Representatives nominated by Scheme employers to ensure a broad representation of scheme membership - for example to include deferred and pension representation.

3.4 In compliance with section 4.B(3) of the Regulations, elected members or officers of Warwickshire County Council with delegated authority for discharging the scheme manager function may not serve as employer representatives.

3.5 Independent Representatives shall comprise one individual to be appointed by the Scheme Manager following a recruitment and selection process involving role specification, application form, shortlisting and interviews accordance with current Warwickshire County Council's policies and procedures.

3.6 The Chair of the Pension Board shall be the Independent Representative. It will be the role of the Chair to ensure that all members of the Pension Board show due respect for process, that all views are fully heard and considered and to determine when consensus has been met.

3.7 Attendance is expected of Board members at all meetings; due to the specialist nature of the work, due to the specialist nature of the work, no substitution is allowed.

3.8 In the event of consistent non-attendance, or failure to achieve and maintain the required level of knowledge and skills by any Board member, then the tenure of that member should be reviewed by the Chair in liaison with the Scheme Manager. The Scheme Manager will have the final decision on whether to remove the Board member.

3.9 Other than by ceasing to be eligible as set out above, a Board member may only be removed from office during a term of appointment by the Scheme Manager:

1. in consultation with the Board members

2. or in the case of an Elected Member of Warwickshire County Council acting as a Board Member, ceasing to hold office, as an Elected Member.

3. In the case of an officer of Warwickshire County Council acting as an Employer Representative, ceasing to hold that office.

3.10 The Scheme Administrator will be responsible for identifying and evaluating employer representatives and scheme members from the membership. The Scheme Administrator, after consulting with the Chair of the Board, may determine and undertake an evaluation process to ensure that potential new Board members understand and are able to undertake the role.

4) Quorum

4.1 Three (3) members of the Pension Board will represent a quorum for Pension Board meetings to go ahead.

4.2 In the absence of the Chair of the Board at a meeting, the meeting may be chaired by a senior officer of the Scheme Administrator. Officers may not chair the meeting whilst presenting agenda items.

5) Conflicts of Interest

5.1 The 2013 Act requires that members of the Pension Board do not have conflicts of interest. As such all members of the Pension Board will be required to declare any interests and any potential conflicts of interests in line with legal requirements in the Act and the Pension Regulator’s Code. These declarations are required as part of the appointment process, as well as at regular intervals throughout a member’s tenure to the Scheme Manager’s satisfaction.

5.2 A Conflicts of Interest policy with which members of the Pension Board must comply is included at Annex A to these Terms of Reference.

6) Board Review Process

6.1 The Pension Board will undertake each year a formal review process to assess how well it and the members are performing with a view to seeking continuous improvement in the Board's performance.

7) Advisers to the Board

7.1 The Pension Board may be supported in its role and responsibilities through the appointment of advisers and shall (subject to any applicable regulation and legislation from time to time in force) consult with such advisers to the Board and on such terms as it shall see fit to help better perform its duties including -

a. the Service's Administration Manager,
b. the Service's Legal Adviser,
c. the Service's Section 151 Officer; and
d. other advisers so approved by the Scheme Manager.

7.2 This will be done on an 'as required' basis; any advisor attending a Board meeting is not a Board member and does not have a vote. If required, sub-groups may be established to assist the Board. The Terms of Reference for sub-groups will be set by the Board in consultation with the Scheme Manager.

7.3 The advisers shall support the Pension Board in delivering the Board's responsibilities by:

a. providing advice as requested by the Board;
b. having regard to the need effectively and efficiently comply with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator;
c. having regard for the need to secure compliance with the FFPS regulations and any other legislation relating to the governance and administration of the FFPS
d. notifying the Board of any matter which they decide the Board may need to know to carry out its responsibilities; and
e. providing the Board with access to information as required.

8) Knowledge and Skills

8.1 Members of the Pension Board must have full capacity to act and will be expected to have good sound knowledge of the FFPS rules and administration, pension law and regulations.

8.2 The performance of Board members will be assessed on a periodic basis by the Scheme Manager to ensure that all members are adequately meeting their duties. Poor performance will result in corrective action being taken, and in exceptional circumstances the removal of the Board member.

8.3 Pension Board members must be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Board members are therefore required to maintain a written record of relevant training and development.

8.4 Pension Board members will comply with the Scheme Manager's training policies.

8.5 Board members will undertake a personal training needs analysis undertaken on behalf of the Scheme Manager and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.

8.6 The performance of Board members will be assessed on a periodic basis to ensure that all Board members are adequately meeting their duties. Poor performance will result in corrective action being taken, and in exceptional circumstances the removal of the Board member.

9) Board Meetings

9.1 The Pension Board will meet quarterly.

9.2 The Scheme Manager will undertake the committee secretariat functions for the Board and will ensure that:

a. facilities are available to hold meetings;
b. an annual schedule of meetings and forward plan of agenda items is organised and shared with members;
c. suitable arrangements are in place to hold additional meetings if requiring - ensuring adequate notice;
d. papers are distributed at least 5 clear working days before each meeting except for exceptional circumstances;
e. a formal record of Pension Board meetings is maintained; and
f. following the approval of the minutes by the Chair, they are circulated to all Board members.

9.3 Meetings will be open for Scheme members and employers to observe.

9.4 Board meetings may be held at the Scheme Manager offices in Warwick, or remotely, with the specific location or meeting method published with the agenda.

Meetings will be held during normal office hours.

9.5 Agenda items will normally be public papers. However, an agenda item may meet the criteria to be exempt from publication and be heard in private session. Reports must meet the County Council's standards for being made exempt. Board members must maintain the confidentiality of exempt reports and discussions.

9.6 Additional special meetings of the Board may be convened at the request of the Scheme Administrator or by the Board through a majority vote.

10) Remit of the Board

10.1 The key priority for the Board is to focus on the administrative performance of the Fund, including the roles and responsibilities outlined in section 2 of these Terms of Reference.

11) Standards of Conduct

11.1 The role of Pension Board members requires the highest standards of conduct and the "seven principles of public life" will be applied to all Pension Board members and embodied in their code of conduct. These are:

a. Selflessness;
b. Integrity;
c. Objectivity;
d. Accountability;
e. Openness;
f. Honesty; and
g. Leadership.

11.2 Any elected Member scheme representative is also responsible for adhering to the County Council Member code of conduct.

12) Decision Making

12.1 The Pension Board is expected to operate on a consensus basis; however each Scheme Member Representative and Employer Representative member will have individual voting rights. Independent Members shall have no voting rights. In the event that consensus cannot be reached, a vote will be taken. The Chair should report to the Scheme Manager when a decision is reached in this manner.

13) Publication of Pension Board information

13.1 Scheme members and other interested parties will want to know that the Fund is being efficiently and effectively managed. They will also want to be confident that the Pension Board is properly constituted, trained and competent in order to comply with Scheme regulations, the governance and administration of the Scheme and requirements of the Pension Regulator.

13.2 Up-to-date information will be posted on the Scheme Manager's website showing:

a. The names of the Pension Board members;
b. How the Scheme members are represented on the Pension Board;
c. The responsibilities of the Pension Board as a whole;
d. The full terms of reference and policies of the Pension Board and how they operate;
e. The Pension Board appointment process;
f. Who each individual Pension Board member represent; and
g. Any specific roles and responsibilities of individual Pension Board members.

13.3 The Pension Board papers, agendas and minutes of meetings will be published on the Fund website. These may at the discretion of the Scheme Manager be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

13.4 The Scheme Manager will also consider requests for additional information to be published or made available to individual scheme members to encourage scheme member engagement and promote a culture of openness and transparency.

14) Accountability

14.1 The Pension Board will be collectively, and members individually, accountable to the Scheme Manager. The Board will also be given the opportunity to present its findings at the Fund's annual meeting.

14.2 The expenses of the Board will be collectively, and members individually, accountable to the Scheme Manager.

15) Remuneration

15.1 Remuneration for Pension Board members will be limited to a refund of actual expenses incurred in attending Board meetings. The Chair remuneration will be agreed on appointment and reviewed every three (3) years.

15.2 The expenses of the Pension Board are to be regarded as part of administration costs.

15.3 Training and associated costs will be met by the Scheme Manager.

15.4 Any costs / expenses must be claimed within three months of being incurre.

15.5 The Scheme Manager will set a budget each year for the Board costs including expenses, remuneration, training , professional advice, and costs incidental to conducting the business of the Board.

16) Tenure

16.1 Tenure period for Board members will be for a three (3) year period on a rolling appointment basis - up to a maximum of nine (9) years.

16.2 The term of office for the Chair will also be for a three (3) year period at which point it will be the decision of the Scheme Manager to confirm reappointments.

16.3 Resignation of Board members will be documented in writing to the Chair. A suitable notice period must be given which is no less that one (1) month.

17) Reporting Breaches

17.1 Any breach brought to the attention of the Pension Board whether potential or actual shall be dealt with in accordance with the procedure set out in a separate policy document.

17.2 The Board may report concerns to the Scheme Administrator and may report concerns to decision making pension committees.

17.3 Breaches and concerns will be documented and made available with the published Board papers, except where a report is exempt.

18) Review

18.1 These Terms of Reference may be reviewed and amended at any time by the Scheme Manager in consultation with the Board, and any changes communicated to the Pension Board in advance of the next Board meeting.

19) Definitions

19.1 The following terms shall have the following meaning when used in this document:

"Pension Board" or "Board"	Means the local Warwickshire Fire and Rescue Pension Board for the administering authority for the Warwickshire Pension Fund as required under the Public Service Pensions Act 2013.
''Scheme	Means Warwickshire County Council
Manager" "Chair"	Reference to duties to be performed, or authorities exercised, by the Chair.
"FFPS"	Means the Fire fighters Pension Scheme as constituted by the Firefighters Pension Scheme (Amendment) (Governance) Regulations 2015.
"Scheme"	Means the Fire Fighters Pension Scheme.

20) Interpretation

20.1 Any uncertainty or ambiguity or interpretation required relating to any matters contained in these Terms of Reference shall be resolved by reference to the Scheme Manager.

Annex A to
Warwickshire Fire and Rescue Local Pension Board of the Firefighters' Pension Scheme

Conflicts of Interest Policy

Introduction

The Public Sector Pensions Act 2013 requires that members of the Local Pension Board (the Board) do not have conflicts of interests. As such all Board Members (Members) will be required to declare any interests and any potential conflicts of interests in line with legal requirements in the Act and the Pension Regulator's code. These declarations are required as part of the appointment process, as well as regular intervals throughout a Member's tenure to the Scheme Manager's satisfaction.

Conflict of Interests - General Principles

A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. The basic principle in relation to conflicts of interest can be found in the High Court case of *Re Thompson's Settlement* [1986] where the Court held that:

'...a *man must not put himself in a position where duty and [personal] interest conflict or where his duty to one conflicts with his duty to another unless expressly authorised'*

Conflicts of interest may arise for Members and their advisers. This simply reflects the fact that individual Members and their advisers will have a variety of other roles and responsibilities outside the Board.

Members and their advisers must be able to identify potential conflicts of interest and have procedures in place to manage them. This document outlines the procedure the Members have adopted to do this.

Procedure

For this procedure to work the Members have agreed that they must:

- declare any actual or potential conflict of interest they may have;
- be open with each other on any conflicts of interest they may have;
- provide information reasonably requested to assess whether there is any actual or potential conflict of interest;
- adopt practical solutions; and
- plan ahead and agree on how they will manage any conflicts of interest which arise.

With these objectives in mind the Members have adopted the following procedure:

1. Maintaining a register of Members' interests which could give rise to a conflict.
2. Maintaining a register of interests which could give rise to a conflict covering the Members' advisers.
3. Each Member and adviser will sign an annual return confirming that their information contained in the register of interests is correct. The updated register will then be

circulated to all Members and the Scheme Manager. These two events will be added to the Members' calendar of events distributed with each set of Member meeting papers.

4. The Board's Administration Manager is to identify any potential or actual conflicts of interest and to advise the Chair. The Chair in conjunction with the Scheme Manager is to decide on the action required and to advise the Members of any actions taken.

5. Any Member who feels that they, another Member or adviser has a conflict of interest must seek early advice from the Administration Manager.

6. Any member or advisor must withdraw from a Board meeting if they have a conflict of interest. The conflict of interest and the action taken must be recorded in the minutes.

7. If a conflict is identified outside of a Board meeting the Chair shall consult with the other Members prior to making a decision. The conflict of interest and the action taken must be recorded.

Management of confidential information

With regard to Members sharing confidential information received by them in their capacity as a Board Member with other parties, it is important to remember that each Member has a fundamental responsibility to act on behalf of the Board and this duty should not be compromised by acting on behalf of other groups.

Advisors

There may be circumstances where advisors are asked to give advice to the Board but this can only happen where there is no conflict of interest. All of the Board's advisors have a professional responsibility to advise the Members if any circumstances arise in which they feel they are conflicted. These responsibilities and guidelines for dealing with actual or potential conflicts of interest are covered by rules of their respective professional bodies.

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County Council

1 July 2021

Member Code of Conduct

Recommendation

That Council approves the adoption of the revised code of conduct as set out in Appendix 1.

1. Executive Summary

1.1 The Local Government Association (LGA) published in December 2020 its new model code of conduct (Appendix 2). The new model code is guidance only and Councils are free to adopt any part or all of its content.

1.2 The Council adopted its current Code of Conduct in 2012 based on the then model code published by the LGA. Officers have reviewed the new model code of conduct published by the LGA against the Council's existing code and against the current legislative framework.

1.3 The legislation underpinning the Code remains unchanged. The Government response to the recommendations by the Committee on Standards in Public Life (CSPL) are still awaited. Some of the changes recommended by the CSPL can only be given effect by legislation.

1.4 The proposed changes to the Council's existing code are contained in Appendix 1. In making the proposed changes, officers have worked from the premise that our existing Code has provided a sound platform for both promoting high standards of conduct amongst members and enabling us to deal effectively with the very few complaints about members' conduct that the Council receives. The proposals therefore include some of the new additions from the model Code but do not propose that we adopt the new LGA Code on a wholesale basis.

1.5 In addition, there are some areas of the new model Code which we would not recommend implementing as they cannot be enforced under current legislation. Further analysis of these issues is addressed later in this report.

1.6 The LGA new model is attached as Appendix 2. A copy of our current code is attached for reference as Appendix 3.

1.7 The Audit and Standards Committee considered the proposed revisions to our code in Appendix 1 and the new LGA model Code in Appendix 2. There was a robust discussion concluding in a view that the proposed changes in Appendix 1 should be incorporated in the Councils Member Code of Conduct with some minor changes in presentation. These changes have been incorporated in Appendix 1. The proposals have also been shared with the Group Leaders of the political parties and the feedback received has also been incorporated in Appendix 1.

1.8 The proposal was taken to Cabinet on 8 April 2021. Cabinet welcomed the proposed revised code (as set out in Appendix 1) and commended it to Council for approval.

2. Financial Implications

2.1 There are no direct financial implications arising from this report.

3. Environmental Implications

3.1 None

4. Supporting Information

4.1 The new model Code is a mix of guidance as well as ‘promises’ by the member concerned. It is therefore much lengthier than our current code. Officers are recommending retaining a code which is short and concise and focuses on the specific obligations of members and providing any guidance separately.

4.2 It should be noted that the new Model Code has had a mixed reception from Monitoring Officers nationally with only 20% of Monitoring Officers indicating they will adopt the Code, 25% indicating they may adopt some parts and 55% indicating that they will not seek to adopt the Code.

4.3 There are certain elements of the LGA code which we consider would require legislative change before they could be adopted and the additional classifications of other interests brings in our view an unwelcome level of complexity and bureaucracy into Code. These issues are discussed further in the following paragraphs.

4.4 Our existing Code has provided a solid platform for both promoting high standards of conduct amongst members and enabling us to deal effectively with the very few complaints about members’ conduct that we receive. However, there are some amendments which it would be useful to incorporate into our Code. These are shown in red in Appendix 1.

4.5 We have removed the requirement in our current code for each councillor to sign and date the code as the Code automatically binds each member. As indicated above we consider that the guidance is best dealt with separately.

4.6 Certain elements of the code would in our view require legislative changes prior to adoption i.e.

- the implication in the wording of the model code that it may be appropriate in some circumstances for members to use council resources for political purposes when there is a statutory bar against doing so
- including '[any unpaid directorship]' within the statutory pecuniary interests table as this is not a Disclosable Pecuniary Interest. Only DPIs are subject to criminal sanctions and this is likely to confuse.
- the concept of bringing the Council into 'disrepute' as this may extend the code into members private lives and this currently could not be achieved without legislative change and would be misleading to members of the public.

4.7 The current Code only applies when a councillor is acting in their official capacity or on council business. It is quite possible that a councillor could commit an offence in their private life which is not actionable under the Code of Conduct. Extension of the code to private life would require primary legislation.

4.8 We consider other elements of the Code bring an unwelcome element of bureaucracy. In particular we are concerned about the approach to 'other interests'. These are potentially very wide ranging and cover many different types of circumstances. They also incorporate some of the previous definitions from the pre-2012 code which were difficult to interpret in practice e.g. 'close associate'.

4.9 The approach in the model code is to automatically bar members with an 'other interest' from speaking unless members of the public have rights to speak at that meeting and to bar them from voting without a dispensation. Officers do not consider that this approach provides any benefits over our current arrangements. We currently deal with such interests by bespoke advice tailored to the particular circumstances based on the application of the common law of bias and pre-determination. In addition our experience and organisational culture is that members readily declare such interests and readily seek advice on whether such interests prevent them from taking part in council meetings. Officers would therefore not recommend inclusion of

- The definition of 'other registrable interests' and the establishment of an 'other interests register'
- The definition of 'non-registrable other interests'

4.10 The elements that we suggest are incorporated are set out below.

- Reframing the code so that councillors understand it automatically applies and is not a matter of choice.
- Clarifying that where a member gives the impression s/he is acting as a councillor or misuses their position the Code will apply
- Including a specific requirement not to bully, harass or unlawfully discriminate against anybody or seek to compromise the impartiality of officers

- A requirement to register offers of gifts and hospitality with an estimated value of £50 even if declined
- A requirement not to prevent people from accessing information to which they are lawfully entitled
- Explicit requirements to undergo training, co-operate with investigations and not intimidate those who are involved in investigations.
- Explicit requirement to be truthful.

4.11 The elements that we prefer to leave unchanged in our current code subject to the above changes are

- Retaining the original definitions of the principles of public life
- Keeping the guidance elements separate from the Code itself

4.12 The Audit and Standards Committee has previously taken the view that a cycle of 4-yearly reviews of the Code should be sufficient or where there is a need to do so due to local circumstances or statutory changes.

5. Timescales associated with the decision and next steps

5.1 It is proposed that the views of the Cabinet and any other feedback will be forwarded onto to Council.

Appendices

1. Appendix 1 Revised Member Code of Conduct
2. Appendix 2 LGA Model Code of Conduct
3. Appendix 3 WCC Current Member Code of Conduct

Background Papers

None

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The report was previously taken to Cabinet and shared with Group Leaders at that stage.

Appendix 1

Member Code of Conduct 2021
Warwickshire County Council

This Code applies to all elected and co-opted members of the Warwickshire County Council. The term ‘councillor’ in this Code means both elected and co-opted members. This Code of Conduct applies when you are acting in your capacity as a councillor which may include when:

- you misuse your position as a councillor
- your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a councillor

As a Councillor:

1. I will represent the interests of the whole community and work constructively with our staff and partner organisations to secure better social, economic and environmental outcomes for all.

2. I will behave in a manner that is consistent with the following principles to achieve best value for all our residents and maintain public confidence in the Council, any other body to which I am appointed by the Council and the office of councillor:

a. SELFLESSNESS: I will act solely in terms of the public interest. I will not act in such a way as to gain financial or other material benefits for myself, my family, or my friends.

b. INTEGRITY: I will not place myself under any financial or other obligation to outside individuals or organisations that might seek to influence me in the performance of my official duties.

c. OBJECTIVITY: I will make choices on merit, in carrying out public business, including when making public appointments, awarding contracts, or recommending individuals for rewards and benefits

d. ACCOUNTABILITY: I will be accountable for my decisions and actions to the public and to the Council and must submit myself to whatever scrutiny is appropriate to my office.

e. OPENNESS: I will be as open as possible about all the decisions and actions I take. I will give reasons for my decisions and restrict information only when the wider public interest or the law clearly demands.

f. HONESTY: I will be truthful and I will declare any private interests relating to my public duties and take steps to resolve any conflicts arising in a way that protects the public interests.

g. LEADERSHIP: I will promote and support these principles by leadership and example.

3. **As a Councillor** I will act in accordance with the principles in paragraph 2 and in particular, I will

a. Champion the needs of the whole community and all my constituents, including those who did not vote for me and put the public interest first.

b. Deal with representations or enquiries from residents, members of our communities and visitors fairly, appropriately and impartially.

c. Not bully, harass or unlawfully discriminate against anyone or seek to compromise the impartiality of officers of the Council

d. Not allow other pressures, including the financial interests of myself or others connected to me, to deter me from pursuing constituents' casework, the interests of the Council or the good governance of the Council in a proper manner.

e. Exercise independent judgement and not compromise my position by placing myself under obligations to outside individuals or organisations who might seek to influence the way I perform my duties as a councillor. This includes not accepting gifts or hospitality which could give rise to a perception of influence over the way I perform my duties.

f. Take account of all relevant information, including advice from statutory and other professional officers. I will remain objective and make decisions on merit.

g. Be accountable for my decisions and cooperate when scrutinised internally and externally, including by local residents.

h. Contribute to ensuring that decision-making processes are as open and transparent as possible to make sure the community understands the reasoning behind decisions and are informed when holding me and other councillors to account.

i. Behave in accordance with all my legal obligations, alongside any requirements contained within the Council's policies, protocols and procedures, including on the use of the Council's resources.

j. Not disclose confidential information (be that confidential by virtue of legislation or otherwise) without express authority and/ or unless the law requires it.

k. Not prevent people gaining access to information to which they are lawfully entitled.

l. Value my colleagues and staff and engage with them in an appropriate manner and one that underpins the mutual respect between us that is essential to good local government.

m. Always treat people with respect, including the organisations and the public I engage with, fellow members and those I work alongside.

n. Undertake Code of Conduct training provided by my local authority, cooperate with any Code of Conduct investigation and/or determination.

o. Not intimidate or attempt to intimidate any person who is likely to be involved with any investigation or proceedings.

p. Provide leadership through behaving in accordance with these principles when championing the interests of the community with other organisations as well as within this Council.

4. I will register and disclose those interests that I am required by law to declare. I will complete and submit a signed declaration of my interests to the Monitoring Officer. I will keep the register updated and acknowledge that its contents are open to the public to inspect.

5. I will register any gifts and hospitality I am offered (even if declined) with an estimated value of £50 or more within 28 days of receipt with the Monitoring Officer.

Local Government Association

Model Councillor Code of Conduct 2020

Joint statement

The role of councillor across all tiers of local government is a vital part of our country's system of democracy. It is important that as councillors we can be held accountable and all adopt the behaviors and responsibilities associated with the role. Our conduct as an individual councillor affects the reputation of all councillors. We want the role of councillor to be one that people aspire to. We also want individuals from a range of backgrounds and circumstances to be putting themselves forward to become councillors.

As councillors, we represent local residents, work to develop better services and deliver local change. The public have high expectations of us and entrust us to represent our local area; taking decisions fairly, openly, and transparently. We have both an individual and collective responsibility to meet these expectations by maintaining high standards and demonstrating good conduct, and by challenging behaviour which falls below expectations.

Importantly, we should be able to undertake our role as a councillor without being intimidated, abused, bullied or threatened by anyone, including the general public.

This Code has been designed to protect our democratic role, encourage good conduct and safeguard the public's trust in local government.

Introduction

The Local Government Association (LGA) has developed this Model Councillor Code of Conduct, in association with key partners and after extensive consultation with the sector, as part of its work on supporting all tiers of local government to continue to aspire to high standards of leadership and performance. It is a template for councils to adopt in whole and/or with local amendments.

All councils are required to have a local Councillor Code of Conduct.

The LGA will undertake an annual review of this Code to ensure it continues to be fit- for-purpose, incorporating advances in technology, social media and changes in legislation. The LGA can also offer support, training and mediation to councils and councillors on the application of the Code and the National Association of Local Councils (NALC) and the county associations of local councils can offer advice and support to town and parish councils.

Definitions

For the purposes of this Code of Conduct, a “councillor” means a member or co-opted member of a local authority or a directly elected mayor. A “co-opted member” is defined in the Localism Act 2011 Section 27(4) as “a person who is not a member of the authority but who

a) is a member of any committee or sub-committee of the authority, or;
b) is a member of, and represents the authority on, any joint committee or joint sub-committee of the authority;

and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee”.

For the purposes of this Code of Conduct, “local authority” includes county councils, district councils, London borough councils, parish councils, town councils, fire and rescue authorities, police authorities, joint authorities, economic prosperity boards, combined authorities and National Park authorities.

Purpose of the Code of Conduct

The purpose of this Code of Conduct is to assist you, as a councillor, in modelling the behaviour that is expected of you, to provide a personal check and balance, and to set out the type of conduct that could lead to action being taken against you. It is also to protect you, the public, fellow councillors, local authority officers and the reputation of local government. It sets out general principles of conduct expected of all councillors and your specific obligations in relation to standards of conduct. The LGA encourages the use of support, training and mediation prior to action being taken using the Code. The fundamental aim of the Code is to create and maintain public confidence in the role of councillor and local government.

General principles of councillor conduct

Everyone in public office at all levels; all who serve the public or deliver public services, including ministers, civil servants, councillors and local authority officers; should uphold the Seven Principles of Public Life, also known as the Nolan Principles.

Building on these principles, the following general principles have been developed specifically for the role of councillor.

In accordance with the public trust placed in me, on all occasions:

- I act with integrity and honesty
- I act lawfully
- I treat all persons fairly and with respect; and
- I lead by example and act in a way that secures public confidence in the role of councillor.

In undertaking my role:

- I impartially exercise my responsibilities in the interests of the local community
- I do not improperly seek to confer an advantage, or disadvantage, on any person
- I avoid conflicts of interest
- I exercise reasonable care and diligence; and
- I ensure that public resources are used prudently in accordance with my local authority's requirements and in the public interest.

Application of the Code of Conduct

This Code of Conduct applies to you as soon as you sign your declaration of acceptance of the office of councillor or attend your first meeting as a co-opted member and continues to apply to you until you cease to be a councillor.

This Code of Conduct applies to you when you are acting in your capacity as a councillor which may include when:

- you misuse your position as a councillor
- Your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a councillor;

The Code applies to all forms of communication and interaction, including:

- at face-to-face meetings
- at online or telephone meetings
- in written communication
- in verbal communication
- in non-verbal communication
- in electronic and social media communication, posts, statements and comments.

You are also expected to uphold high standards of conduct and show leadership at all times when acting as a councillor.

Your Monitoring Officer has statutory responsibility for the implementation of the Code of Conduct, and you are encouraged to seek advice from your Monitoring Officer on any matters that may relate to the Code of Conduct. Town and parish councillors are encouraged to seek advice from their Clerk, who may refer matters to the Monitoring Officer.

Standards of councillor conduct

This section sets out your obligations, which are the minimum standards of conduct required of you as a councillor. Should your conduct fall short of these standards, a complaint may be made against you, which may result in action being taken.

Guidance is included to help explain the reasons for the obligations and how they should be followed.

General Conduct

1. Respect

As a councillor:

1.1 I treat other councillors and members of the public with respect.

1.2 I treat local authority employees, employees and representatives of partner organisations and those volunteering for the local authority with respect and respect the role they play.

Respect means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor, you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a robust but civil manner. You should not, however, subject individuals, groups of people or organisations to personal attack.

In your contact with the public, you should treat them politely and courteously. Rude and offensive behaviour lowers the public's expectations and confidence in councillors.

In return, you have a right to expect respectful behaviour from the public. If members of the public are being abusive, intimidatory or threatening you are entitled to stop any conversation or interaction in person or online and report them to the local authority, the relevant social media provider or the police. This also applies to fellow councillors, where action could then be taken under the Councillor Code of Conduct, and local authority employees, where concerns should be raised in line with the local authority's councillor-officer protocol.

2. Bullying, harassment and discrimination

As a councillor:

2.1 I do not bully any person.

2.2 I do not harass any person.

2.3 I promote equalities and do not discriminate unlawfully against any person.

The Advisory, Conciliation and Arbitration Service (ACAS) characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and may not always be obvious or noticed by others.

The Protection from Harassment Act 1997 defines harassment as conduct that causes alarm or distress or puts people in fear of violence and must involve such conduct on at least two occasions. It can include repeated attempts to impose unwanted communications and contact upon a person in a manner that could be expected to cause distress or fear in any reasonable person.

Unlawful discrimination is where someone is treated unfairly because of a protected characteristic. Protected characteristics are specific aspects of a person's identity defined by the Equality Act 2010. They are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The Equality Act 2010 places specific duties on local authorities. Councillors have a central role to play in ensuring that equality issues are integral to the local authority's performance and strategic aims, and that there is a strong vision and public commitment to equality across public services.

3. Impartiality of officers of the council

As a councillor:

3.1 I do not compromise, or attempt to compromise, the impartiality of anyone who works for, or on behalf of, the local authority.

Officers work for the local authority as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. You can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written. However, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

4. Confidentiality and access to information

As a councillor:

4.1 I do not disclose information:

- **a. given to me in confidence by anyone**
- **b. acquired by me which I believe, or ought reasonably to be aware, is of a confidential nature, unless**
  - **i. I have received the consent of a person authorised to give it;**
  - **ii. I am required by law to do so;**
  - **iii. the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or**
  - **iv. the disclosure is:**
    - **1. reasonable and in the public interest; and**
    - **2. made in good faith and in compliance with the reasonable requirements of the local authority; and**
    - **3. I have consulted the Monitoring Officer prior to its release.**

4.2 I do not improperly use knowledge gained solely as a result of my role as a councillor for the advancement of myself, my friends, my family members, my employer or my business interests.

4.3 I do not prevent anyone from getting information that they are entitled to by law.

Local authorities must work openly and transparently, and their proceedings and printed materials are open to the public, except in certain legally defined circumstances. You should work on this basis, but there will be times when it is required by law that discussions, documents and other information relating to or held by the local authority must be treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

5. Disrepute

As a councillor:

5.1 I do not bring my role or local authority into disrepute.

As a Councillor, you are trusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on you, other councillors and/or your local authority and may lower the public's confidence in your or your local authority's ability to discharge your/it's functions. For example, behaviour that is considered dishonest and/or deceitful can bring your local authority into disrepute.

You are able to hold the local authority and fellow councillors to account and are able to constructively challenge and express concern about decisions and processes undertaken by the council whilst continuing to adhere to other aspects of this Code of Conduct.

6. Use of position

As a councillor:

6.1 I do not use, or attempt to use, my position improperly to the advantage or disadvantage of myself or anyone else.

Your position as a member of the local authority provides you with certain opportunities, responsibilities, and privileges, and you make choices all the time that will impact others. However, you should not take advantage of these opportunities to further your own or others' private interests or to disadvantage anyone unfairly.

7. Use of local authority resources and facilities

As a councillor:

7.1 I do not misuse council resources.

7.2 I will, when using the resources of the local or authorising their use by others:

- **a.** **act in accordance with the local authority's requirements; and**
- **b.** **ensure that such resources are not used for political purposes unless that use could reasonably be regarded as likely to facilitate, or be conducive to, the discharge of the functions of the local authority or of the office to which I have been elected or appointed.**

You may be provided with resources and facilities by the local authority to assist you in carrying out your duties as a councillor.

Examples include:

- office support
- stationery
- equipment such as phones, and computers
- transport
- access and use of local authority buildings and rooms.

These are given to you to help you carry out your role as a councillor more effectively and are not to be used for business or personal gain. They should be used in accordance with the purpose for which they have been provided and the local authority's own policies regarding their use.

8. Complying with the Code of Conduct

As a Councillor:

8.1 I undertake Code of Conduct training provided by my local authority.

8.2 I cooperate with any Code of Conduct investigation and/or determination.

8.3 I do not intimidate or attempt to intimidate any person who is likely to be involved with the administration of any investigation or proceedings.

8.4 I comply with any sanction imposed on me following a finding that I have breached the Code of Conduct.

It is extremely important for you as a councillor to demonstrate high standards, for you to have your actions open to scrutiny and for you not to undermine public trust in the local authority or its governance. If you do not understand or are concerned about the local authority's processes in handling a complaint you should raise this with your Monitoring Officer.

Protecting your reputation and the reputation of the local authority

9. Interests

As a councillor:

9.1 I register and disclose my interests.

Section 29 of the Localism Act 2011 requires the Monitoring Officer to establish and maintain a register of interests of members of the authority .

You need to register your interests so that the public, local authority employees and fellow councillors know which of your interests might give rise to a conflict of interest. The register is a public document that can be consulted when (or before) an issue arises. The register also protects you by allowing you to demonstrate openness and a willingness to be held accountable. You are personally responsible for deciding whether or not you should disclose an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise. It is also important that the public know about any interest that might have to be disclosed by you or other councillors when making or taking part in decisions, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained.

You should note that failure to register or disclose a disclosable pecuniary interest as set out in **Table 1**, is a criminal offence under the Localism Act 2011.

Appendix B sets out the detailed provisions on registering and disclosing interests. If in doubt, you should always seek advice from your Monitoring Officer.

10. Gifts and hospitality

As a councillor:

10.1 **I do not accept gifts or hospitality, irrespective of estimated value, which could give rise to real or substantive personal gain or a reasonable suspicion of influence on my part to show favour from persons seeking to acquire, develop or do business with the local authority or from persons who may apply to the local authority for any permission, licence or other significant advantage.**

10.2 **I register with the Monitoring Officer any gift or hospitality with an estimated value of at least £50 within 28 days of its receipt.**

10.3 **I register with the Monitoring Officer any significant gift or hospitality that I have been offered but have refused to accept.**

In order to protect your position and the reputation of the local authority, you should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a councillor. The presumption should always be not to accept significant gifts or hospitality. However, there may be times when such a refusal may be difficult if it is seen as rudeness in which case you could accept it but must ensure it is publicly registered. However, you do not need to register gifts and hospitality which are not related to your role as a councillor, such as Christmas gifts from your friends and family. It is also important to note that it is appropriate to accept normal expenses and hospitality associated with your duties as a councillor. If you are unsure, do contact your Monitoring Officer for guidance.

Appendices

Appendix A – The Seven Principles of Public Life

The principles are:

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must disclose and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Appendix B Registering interests

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests which fall within the categories set out in **Table 1** (**Disclosable Pecuniary Interests**) which are as described in “The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012”. You should also register details of your other personal interests which fall within the categories set out in **Table 2** (**Other Registerable Interests**).

“**Disclosable Pecuniary Interest”** means an interest of yourself, or of your partner if you are aware of your partner's interest, within the descriptions set out in Table 1 below.

"Partner" means a spouse or civil partner, or a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.

1. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest, or of any change to a registered interest, notify the Monitoring Officer.

2. A ‘sensitive interest’ is as an interest which, if disclosed, could lead to the councillor, or a person connected with the councillor, being subject to violence or intimidation.

3. Where you have a ‘sensitive interest’ you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register.

Non participation in case of disclosable pecuniary interest

4. Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a ‘sensitive interest’, you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.

5. Where you have a disclosable pecuniary interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it

Disclosure of Other Registerable Interests

6. Where a matter arises at a meeting which ***directly relates*** to one of your Other Registerable Interests (as set out in **Table 2**), you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a ‘sensitive interest’, you do not have to disclose the nature of the interest.

Disclosure of Non-Registerable Interests

7. Where a matter arises at a meeting which ***directly relates*** to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in Table 1) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

8. Where a matter arises at a meeting which ***affects*** –
   a. your own financial interest or well-being;
   b. a financial interest or well-being of a relative, close associate; or
   c. a body included in those you need to disclose under Other Registrable Interests as set out in **Table 2**

   you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied

9. Where a matter ***affects*** your financial interest or well-being:
   a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
   b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

   You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

   If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

10. Where you have a personal interest in any business of your authority and you have made an executive decision in relation to that business, you must make sure that any written statement of that decision records the existence and nature of your interest.

Table 1: Disclosable Pecuniary Interests

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012.

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain. [Any unpaid directorship.]
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the

	councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council — (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land and Property	Any beneficial interest in land which is within the area of the council. 'Land' excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners (alone or jointly with another) a right to occupy or to receive income.
Licenses	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer
Corporate tenancies	Any tenancy where (to the councillor's knowledge)— (a) the landlord is the council; and (b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
Securities	Any beneficial interest in securities* of a body where— (a) that body (to the councillor's knowledge) has a place of business or land in the area of the council; and (b) either— (i)) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/ her spouse or civil partner or the person with whom the councillor is living as if they were

	spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

* 'director' includes a member of the committee of management of an industrial and provident society.

* 'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2: Other Registrable Interests

You have a personal interest in any business of your authority where it relates to or is likely to affect: a) any body of which you are in general control or management and to which you are nominated or appointed by your authority b) any body (i) exercising functions of a public nature (ii) any body directed to charitable purposes or (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)

Appendix C – the Committee on Standards in Public Life

The LGA has undertaken this review whilst the Government continues to consider the recommendations made by the Committee on Standards in Public Life in their report on Local Government Ethical Standards. If the Government chooses to implement any of the recommendations, this could require a change to this Code.

The recommendations cover:

- Recommendations for changes to the Localism Act 2011 to clarify in law when the Code of Conduct applies
- The introduction of sanctions
- An appeals process through the Local Government Ombudsman
- Changes to the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012
- Updates to the Local Government Transparency Code
- Changes to the role and responsibilities of the Independent Person
- That the criminal offences in the Localism Act 2011 relating to Disclosable Pecuniary Interests should be abolished

The Local Government Ethical Standards report also includes Best Practice recommendations. These are:

Best practice 1: Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.

Best practice 2: Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation and prohibiting trivial or malicious allegations by councillors.

Best practice 3: Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.

Best practice 4: An authority's code should be readily accessible to both councillors and the public, in a prominent position on a council's website and available in council premises.

Best practice 5: Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format, such as CSV.

Best practice 6: Councils should publish a clear and straightforward public interest test against which allegations are filtered.

Best practice 7: Local authorities should have access to at least two Independent Persons.

Best practice 8: An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious, or trivial.

Best practice 9: Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.

Best practice 10: A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.

Best practice 11: Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council, rather than the clerk in all but exceptional circumstances.

Best practice 12: Monitoring Officers' roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.

Best practice 13: A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.

Best practice 14: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness and publish their board agendas and minutes and annual reports in an accessible place.

Best practice 15: Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.

The LGA has committed to reviewing the Code on an annual basis to ensure it is still fit for purpose.

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SECTION 1 - MEMBERS' CODE OF CONDUCT

Every county councillor and co-opted member is required to agree and sign the following:

I……………………………………..…………..…………………………………..………………

being a duly elected councillor/co-opted member for Warwickshire County Council hereby declare that I will undertake my duties as follows:

1. I will represent the interests of the whole community and work constructively with our staff and partner organisations to secure better social, economic and environmental outcomes for all.

2. **As a holder of public office** and as required by law I will behave in a manner that is consistent with the following principles to achieve best value for all our residents and maintain public confidence in the council, any other body to which I am appointed by the council and the office of councillor:

a. **SELFLESSNESS:** I will act solely in terms of the public interest. I will not act in such a way as to gain financial or other material benefits for myself, my family, or my friends.

b. **INTEGRITY:** I will not place myself under any financial or other obligation to outside individuals or organisations that might seek to influence me in the performance of my official duties.

c. **OBJECTIVITY:** I will make choices on merit, in carrying out public business, including when making public appointments, awarding contracts, or recommending individuals for rewards and benefits

d. **ACCOUNTABILITY:** I will be accountable for my decisions and actions to the public and to the Council and must submit myself to whatever scrutiny is appropriate to my office.

e. **OPENNESS:** I will be as open as possible about all the decisions and actions I take. I will give reasons for my decisions and restrict information only when the wider public interest or the law clearly demands.

f. **HONESTY:** I will declare any private interests relating to my public duties and take steps to resolve any conflicts arising in a way that protects the public interests.

g. **LEADERSHIP:** I will promote and support these principles by leadership and example.

3. **As a member of the Council** I will act in accordance with the principles in paragraph 2 and, in particular, I will:

a. Champion the needs of the whole community and all my constituents, including those who did not vote for me and put the public interest first.

b. Deal with representations or enquiries from residents, members of our communities and visitors fairly, appropriately and impartially.

c. Not allow other pressures, including the financial interests of myself or others connected to me, to deter me from pursuing constituents' casework, the interests of the council or the good governance of the council in a proper manner.

d. Exercise independent judgement and not compromise my position by placing myself under obligations to outside individuals or organisations who might seek to influence the way I perform my duties as a member/co-opted member of the council.

e. Take account of all relevant information, including advice from statutory and other professional officers. I will remain objective and make decisions on merit.

f. Be accountable for my decisions and cooperate when scrutinised internally and externally, including by local residents.

g. Contribute to ensuring that decision-making processes are as open and transparent as possible to make sure the community understands the reasoning behind decisions and are informed when holding me and other members to account.

h. Behave in accordance with all my legal obligations, alongside any requirements contained within the council's policies, protocols and procedures, including on the use of the council's resources.

i. I will not disclose confidential information (be that confidential by virtue of legislation or otherwise) without express authority and/or unless the law requires it.

j. Value my colleagues and staff and engage with them in an appropriate manner and one that underpins the mutual respect between us that is essential to good local government.

k. Always treat people with respect, including the organisations and public i engage with, fellow members and those i work alongside.

l. Provide leadership through behaving in accordance with these principles when championing the interests of the community with other organisations as well as within this council.

4. I will register and disclose those interests that I am required by law to declare. I will complete and submit a signed declaration of my interests to the monitoring officer. I will keep the register updated and acknowledge that its contents are open to the public to inspect.

5. I will comply with any code of conduct for members that is properly established by the council.

Signed: ………………………………………………..

Full name: ….……………………………………………

Date: …………..……………………………..…………

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