

A meeting of **HUNTINGDONSHIRE DISTRICT COUNCIL** will be held in the **CIVIC SUITE (LANCASTER / STIRLING ROOMS), PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON PE29 3TN** on **THURSDAY, 15 DECEMBER 2022** at **7:00 PM** and you are requested to attend for the transaction of the following business:-

## **AGENDA**

### **APOLOGIES**

#### **1. THOUGHT FOR THE DAY**

Councillor Tim Alban to open the meeting with a 'Thought for the Day'.

**Time Allocation: 2 Minutes.**

#### **2. MINUTES (Pages 7 - 14)**

To approve as a correct record the Minutes of the meeting of the Council held on 12th October 2022.

**Time Allocation: 2 Minutes.**

#### **3. MEMBERS' INTERESTS**

To receive from Members declarations as to disclosable pecuniary, other registerable and non - registerable interests in relation to any Agenda item. See Notes below.

**Time Allocation: 2 Minutes.**

#### **4. CHAIR AND VICE-CHAIR'S ENGAGEMENTS AND ANNOUNCEMENTS (Pages 15 - 16)**

To note the Chair and Vice-Chair's engagements since the last Council meeting and receive any announcements.

**Time Allocation: 5 Minutes.**

## **5. PETITION**

Mr K Medlock to present a petition on behalf of 1273 signatories regarding the closure of Sawtry Swimming Pool. The Petition Statement is as follows –

“Sawtry are losing their swimming pool at the end of 2022, swimming is a life essential for everyone, but especially our children. They will now be expected to travel to either Huntingdon or Peterborough. We are asking for Huntingdon District Council to use some of the council tax we pay to subsidise the running costs of the pool.”

***[Presentation of Petition – 5 Minutes  
Questions to Petitioner – 5 Minutes  
Ensuing Debate – No longer than 15 Minutes].***

**Time Allocation: 25 Minutes.**

## **6. QUESTIONS BY MEMBERS OF THE PUBLIC**

To answer any questions submitted by the public in accordance with the Constitution.

The deadline for the receipt of public questions is five days prior to the meeting by 5pm.

**Time Allocation: N/A**

## **7. BRIEFING FROM CAMBRIDGESHIRE CONSTABULARY**

To receive a briefing on Crime and Prevention Priorities, the Community Engagement Process and Joint Working from Chief Inspector Paul Rogerson, Neighbourhood Policing, Cambridgeshire Constabulary.

At the conclusion of the briefing there will be an opportunity for Questions.

**Time Allocation: 30 Minutes.**

## **8. BUDGET PRINCIPLES**

To receive a presentation by the Executive Councillor for Finance and Resources on Budget Principles for the 2023/24 Budget.

***[Presentation 10 Minutes  
Questions 10 Minutes]***

**Time Allocation: 20 Minutes.**

**9. TREASURY MANAGEMENT SIX MONTH PERFORMANCE REVIEW (Pages 17 - 44)**

Councillor Brett Mickelburgh, Executive Councillor for Finance and Resources to present the Council's Treasury Management performance for the period 1st April to 30th September 2022.

*(This report was considered by the Overview and Scrutiny Panel (Performance and Growth) and the Cabinet at their meetings in December 2022).*

**Time Allocation: 10 Minutes.**

**10. QUESTIONS TO MEMBERS OF THE CABINET**

In accordance with the Council Procedure Rules, all questions –

- ❖ Must be relevant to an item to which the Council has powers or duties;
- ❖ Must not relate to an item which is included elsewhere on the Agenda
- ❖ Should be limited to obtaining information or pressing for action; and
- ❖ Should not exceed two minutes in duration.

Questions should not divulge or require to be divulged, confidential or exempt information.

**Time Allocation: 20 Minutes.**

**11. APPOINTMENT OF INTERIM MANAGING DIRECTOR AND HEAD OF PAID SERVICE, RETURNING OFFICER AND ELECTORAL REGISTRATION OFFICER - RECOMMENDATION FROM SENIOR OFFICERS COMMITTEE**

Councillor S J Conboy, Chair of the Senior Officers Committee to present the report and recommendations of the meeting held on 24th November 2022. **(TO FOLLOW).**

**Time Allocation: 10 Minutes**

**12. CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY - UPDATE**

Councillor S J Conboy, Executive Leader to present on the activities of the Cambridgeshire and Peterborough Combined Authority.

Councillors D B Dew and M A Hassall to provide an update on the Cambridgeshire and Peterborough Combined Authority Overview and Scrutiny Committee.

Councillor S J Corney to provide an update on the Cambridgeshire and Peterborough Combined Authority Audit and Governance Committee.

Decision summaries for recent meetings of the Cambridgeshire and Peterborough Combined Authority Overview and Scrutiny Committee, Audit and Governance Committee and Board are attached to the Agenda for information. **(TO FOLLOW)**.

In accordance with the Protocol agreed at the February 2017 meeting, this item provides an opportunity for District Council Members to ask questions and comment on Cambridgeshire and Peterborough Combined Authority issues.

If Members wish to raise questions or issues requiring a detailed response, it would be helpful if they can provide prior notice so that the necessary information can be obtained in advance of the meeting.

**Time Allocation: 20 Minutes.**

### **13. OUTCOMES FROM COMMITTEES AND PANELS (Pages 45 - 48)**

An opportunity for Members to raise any issues or ask questions arising from recent meetings of the Council's Committees and Panels.

A list of meetings held since the last Council meeting is attached for information and Members are requested to address their questions to Committee and Panel Chairs.

**Time Allocation: 10 Minutes.**

### **14. COMMITTEES AND PANELS**

- a) Group Leaders to report on variations to the Membership of Committees and Panels if necessary
- b) Chair of the Overview and Scrutiny Panel (Customer and Partnerships) to recommend a change to the name of the Panel.

**Time Allocation: 5 Minutes.**

7th day of December 2022



Head of Paid Service

**Disclosable Pecuniary Interests and other Registerable and Non-Registerable Interests.**

Further information on [Disclosable Pecuniary Interests and other Registerable and Non-Registerable Interests is available in the Council's Constitution](#)

### **Filming, Photography and Recording at Council Meetings**

This meeting will be filmed for live and/or subsequent broadcast on the Council's YouTube site. The whole of the meeting will be filmed, except where there are

confidential or exempt items. If you make a representation to the meeting you will be deemed to have consented to being filmed. By entering the meeting you are also consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes. If you have any queries regarding the streaming of Council meetings, please contact Democratic Services on 01480 388169.

The District Council also permits filming, recording and the taking of photographs at its meetings that are open to the public. Arrangements for these activities should operate in accordance with [guidelines](#) agreed by the Council

**Please contact Mrs Lisa Jablonska, Elections and Democratic Services Manager, Tel No. 01480 388004 / e-mail [Lisa.Jablonska@huntingdonshire.gov.uk](mailto:Lisa.Jablonska@huntingdonshire.gov.uk) if you have a general query on any Agenda Item, wish to tender your apologies for absence from the meeting, or would like information on any decision taken by the Committee/Panel.**

Specific enquiries with regard to items on the Agenda should be directed towards the Contact Officer.

Members of the public are welcome to attend this meeting as observers except during consideration of confidential or exempt items of business.

Agenda and enclosures can be viewed on the [District Council's website](#).

#### **Emergency Procedure**

In the event of the fire alarm being sounded and on the instruction of the Meeting Administrator, all attendees are requested to vacate the building via the closest emergency exit.

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## HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the COUNCIL held in the Civic Suite (Lancaster / Stirling Rooms), Pathfinder House, St Mary's Street, Huntingdon PE29 3TN on Wednesday, 12 October 2022

PRESENT: Councillor M J Burke – Chairman.

Councillors T Alban, B S Banks, M L Beuttell, A M Blackwell, R J Brereton, S Bywater, S Cawley, J Clarke, S J Conboy, S J Corney, A E Costello, L Davenport-Ray, S W Ferguson, I D Gardener, C M Gleadow, J A Gray, K P Gulson, J E Harvey, M A Hassall, P J Hodgson-Jones, S A Howell, N J Hunt, A R Jennings, P A Jordan, M Kadewere, P Kadewere, D N Keane, C Lowe, R Martin, S R McAdam, B A Mickelburgh, D L Mickelburgh, S Mokbul, J Neish, Dr M Pickering, T D Sanderson, D J Shaw, R A Slade, S L Taylor, I P Taylor, D Terry, C H Tevlin, S Wakeford and N Wells.

APOLOGIES: Apologies for absence from the meeting were submitted on behalf of Councillors E R Butler, S J Criswell, D B Dew, J E Kerr, B M Pitt, G J Welton and R J West.

### **29 THOUGHT FOR THE DAY**

A 'Thought for the Day' was presented by Vanessa Corbishley, Humanist Celebrant.

### **30 MINUTES**

The Minutes of the meetings of the Council held on the 20th July 2022 were approved as correct records and signed by the Chairman.

### **31 MEMBERS' INTERESTS**

No declarations were received.

### **32 MEMORIAL - HER MAJESTY QUEEN ELIZABETH II**

The Chair reported upon this being the first meeting of the full Council since the sad passing of Her Majesty the Queen and asked Members to reflect upon and remember the life and reign of Her Majesty Queen Elizabeth II. Members stood and observed a minute's silence in her memory.

### **33 CHAIR AND VICE-CHAIR'S ENGAGEMENTS AND ANNOUNCEMENTS**

The Council noted those engagements attended by the Chair and Vice-Chair since the last meeting, as well as an updated version (copies of which are appended in the Minute Book).

The Chair reported upon the recent passing of former Councillor Andrew Hansard, who retired as a District Councillor in May 2016 having served as Councillor for the St Neots Eynesbury Ward for seventeen years. Councillor A R Jennings paid tribute to former Councillor Hansard and referred to him also serving as a Cabinet Member for six years as well as Mayor and Member of St Neots Town Council. He reflected on former Councillor Hansard being kind, calm and measured with a wealth of local knowledge that he had found invaluable when he was first elected in 2011. The Council passed on their condolences to his wife, son and family.

## **34 MOTIONS ON NOTICE**

### **a) Pets as Prizes**

Councillor S Bywater moved and it was duly seconded by Councillor R Martin that

This Council

- is concerned about the number of cases reported to the RSPCA each year, regarding pets given as prizes via fairgrounds, social media and other channels in England and notes the issue predominantly concerns goldfish.
- is concerned for the welfare of those animals that are being given as prizes.
- recognises that many cases of pets being given as prizes may go unreported each year.
- suggests a move to ban the giving of live animals as prizes, in any form, on HDC Land.

The Council therefore RESOLVES

- (a) That an outright ban of the giving of live animals as prizes, in any form, on Huntingdonshire District Council owned land is implemented.
- (b) That the Council writes to the UK Government requesting an outright ban of live animals as prizes on both public and private land.
- (c) That the Council carries out a review of the current policies and the terms of the licences and hire of Council owned land and premise to ensure that they reflect the Council's position as regards giving of live animals (e.g. Goldfish etc.) as prizes.
- (d) That the Council will seek to work with our Town and Parish Councils and other partners to raise awareness and encourage them to adopt a similar policy on their land.

Following debate, response from the Executive Councillor for Customer Services and having been put to the vote, the Motion was declared to be CARRIED.

### **b) Cost of Living and Climate Crisis**



Councillor L Davenport-Ray moved and it was duly seconded by Councillor T D Sanderson that

This Council notes that

- We are experiencing the highest inflation in 40 years. Energy is costing more, directly threatening household budgets and the viability of local businesses.
- Historical evidence suggests that increases in food poverty and fuel poverty will lead directly to increased health problems and winter deaths.
- Poor insulation, inefficient heating and the effects of climate change are intensifying the impact of energy prices, increasing pressures on families and businesses.
- As the cost of living increases, people and businesses are less able to finance adaptations to improve energy efficiency and to prepare for extreme weather events.
- More families are in need of help. Yet steeply increasing inflation means this Council's ability to mitigate impacts and provide essential services is increasingly challenging.
- As the cost of living increases and the effects of climate change take hold, our residents also face the potential loss of local bus routes. Many families are now challenged with finding alternative transport to work and school. This places added strain on family finances, increases carbon emissions and drives up air pollution.

An amendment to 6. (e) of the motion as set out below was moved by Councillor P J Hodgson-Jones and duly seconded by Councillor J A Gray that –

6. (e) A strategic plan that delivers UK energy security from renewable, nuclear, green hydrogen and other alternative energy generation programmes which, together with insulation schemes, is partly funded by taxation policies that disincentivise the use of fossil fuels.

Following debate, the amendment on being put to the vote was declared to be LOST.

The Council therefore RESOLVES to

1. Recognise that the Cost of Living and Climate Crisis are interlinked and jointly require attention to ensure the wellbeing of local people and businesses.
2. Make decisions on investment and delivery that, wherever possible, contribute to environmental and social benefits across Huntingdonshire.
3. Adopt a Climate Strategy that acknowledges the personal and financial impact that climate change has on our most disadvantaged residents.
4. Advocate for more robust, affordable public transport that connects employees with work, links students to education and reduces carbon emissions.

5. Work with social landlords operating in Huntingdonshire to review the energy efficiency of their housing stock, recognising that poor insulation and inefficient heating are key factors in the rising cost of living.
6. Request that Leadership write to the Prime Minister, our local MPs and the relevant government ministers to call for:
  - (a) Increased financial support for residents, with most support provided to low-income households.
  - (b) More funding for small and medium local businesses, helping them manage the challenge of increasing energy costs and rising inflation.
  - (c) A more ambitious nationwide commitment to fund improvements in the energy efficiency of homes, resulting in energy bill reductions and environmental benefits.
  - (d) Increased grant opportunities for community groups, housing providers and public sector partners to improve energy efficiency in their buildings.
  - (e) Insulation schemes and renewable energy generation programmes funded by fossil fuel profits.

Following further debate, response from the Executive Leader and having been put to the vote, the Motion was declared to be CARRIED.

## **35 QUESTIONS BY MEMBERS OF THE PUBLIC**

In accordance with the Council Procedure Rules, notification was received of a question from a member of the public. In the absence of the member of the public to present the question the Executive Councillor for Customer Services undertook to provide a written response to the question of whether the Council had any justification for increasing evening Hackney Carriage and Private Hire fares by 150% and why the consultation was not publicised to members of the public. A full response would also be provided to all Members.

## **36 QUESTIONS TO MEMBERS OF THE CABINET**

Councillor S Bywater drew attention to the declining availability of public transport in Sawtry and the impact of the recent announcement by Meridian Trust to close Sawtry swimming pool in December 2022 leaving children and families with limited means to access such facilities elsewhere to learn to swim and questioned the Executive Councillor for Leisure, Waste and Streetscene as to what action she taking with Meridian Trust to ensure the swimming pool remained open as the District Council had invested heavily in the infrastructure over the years. In response, Councillor S L Taylor provided a background to the history of the transfer of the leisure facility from the District Council to Meridian Trust in December 2019 with the business identified as a going concern. The District Council had also funded £80k to help facilitate the ongoing operational and maintenance running costs to ensure the asset remained open and available. She confirmed that the District Council had met with Meridian Trust,

owners of the asset, to see how the District Council could support operationally, but at the present time the District Council did not have the financial means to support due to rising increasing operational costs associated with One Leisure as a result of the pandemic and increase in energy costs. She further urged the residents of Sawtry to communicate with Meridian Trust outlining their concerns.

Councillor J Neish referred to the limited numbers of applications being considered by the Development Management Committee and cancellation of meetings and raised a question in relation to the number of planning applications in the backlog and number not determined within legislative timeframes within last six months. He further asked what directive had been issued by the Executive Councillor for Planning to assist with this, as well as the estimated number of applications dealt with during the 10-day temporary closedown of the Department and what efficiency drives would be put in place for the ongoing effective running of the Department for residents and developers to see an improvement in determination rates, as substantial budget had been set aside by the previous administration to address such issues. In response Councillor T D Sanderson explained that the Planning Department had undergone major changes recently and the pre-application advice service launched today would avoid additional amendments being submitted during application process and income would be maximised. Until recently there was not a clear method to fix the system, nor clear metrics to measure rates of successes. He reported that 681 cases had been dealt with since May 2022 that were over 12 weeks old and around 110 applications of these applications had been for strategic sites coming forward. With a new Management Team in the service keen to deliver, the Executive Councillor was confident that the public would be seeing a stronger and more robust service going forward.

Arising from a question from Councillor C Lowe on who had funded the £10 voucher scheme for attendees at the recent Climate Change Strategy Engagement Focus Groups, Councillor L Davenport-Ray, Executive Councillor for Climate and Environment, undertook to investigate and provide a written response to the councillor.

Councillor P Kadewere requested a recap by the Executive Councillor for Customer Services of the measures the District Council had put in place in the District to assist residents in tackling the cost of living crisis. Councillor S Ferguson referred to the financial support pages on the District Council's website, promotion of Warmer Spaces through community groups, support through Household Support fund supporting 400 residents in Quarter 1, the award of £56k in discretionary housing payments to residents on low incomes, low levels of homelessness in the District supported by an excellent Housing Team, support for voluntary sector and other community groups in need and the facilitation of awarding £9.4m to 64k residents in the District as part of the energy rebate scheme and thanked Officers involved.

Following the cancellation of Overview and Scrutiny Panel (Customers and Partnerships), Development Management Committee, Corporate Governance Committee, Employment Committee and Climate Change Strategy Working Group meetings, Councillor T Alban questioned whether residents should be concerned about the lack of available business for such meetings and whether there was a democratic deficit in the District. In response, the Executive Leader, Councillor S J Conboy, assured residents that there was not a democratic deficit as the opposition would be aware of the work streams coming through from the

previous administration and should also appreciate that delays do occur. She further drew attention to the work that had been undertaken with many Members recently looking at the work programme for Overview and Scrutiny and looked forward to full Agendas going forward.

Councillor M L Beuttell raised a question in relation to an update of Civil Parking Enforcement (CPE), specifically where the Council was with the Cambridgeshire County Council Agreement and Department for Transport, as all information has been removed from the website, as well as an update for residents on when CPE will be delivered. The Executive Councillor for Leisure, Waste and Street Scene, Councillor S L Taylor, reported that the Council was still in talks with the County Council and undertook to provide a full written response to Members following an update from Officers.

Councillor A R Jennings raised a question on when the District Council would be moving forward with the consultations on St Neots Future High Street Fund and town centre regeneration and committing the spending, as the money that had been secured needed to be spent and every month delay was eroding the pot on transport projects, together with the £16.2m secured by previous administration of Community Infrastructure Levy funding had been reduced by approximately £0.5m. In response, Executive Councillor for Jobs, Economy and Housing, Councillor S Wakeford, referred to an update that had been provided on the Market Towns Programme at the Overview and Scrutiny Panel (Performance and Growth) on 7th September 2022 and in respect of the transport elements, a further date was scheduled with St Neots Town Council in a fortnight and Ward Members would be invited. A full programme of engagement events would take place in the final week of November 2022 inviting key stakeholders and a further report being submitted to the Cabinet for consideration in the coming months on The Old Falcon Hotel. By reference to the funding question, Councillor Wakeford explained that they had been more scrupulous in terms of how the money had been accounted for and would seek Officer advice as to providing a fuller response to Councillor Jennings.

## **37 CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY - UPDATE**

In conjunction with the decision summaries of the recent meetings of the Cambridgeshire and Peterborough Combined Authority and PowerPoint presentation, the Executive Leader, Councillor S J Conboy, presented an update of their activities. Copies of the decision summaries and presentation are appended in the Minute Book.

Councillor Conboy drew attention to the Green Homes Grant and Local Authority Delivery (LAD2) scheme and disappointment that part of the funding had been returned and not utilised to support low income and low energy rated households due to the scale of the task and practicalities of delivery and had made it clear that lessons needed to be learnt for future delivery of such projects. Similarly, the sustainable warmth project had not been delivered on time and was disappointed with progress.

Councillor Conboy reflected positively on the Changing Futures Programme that had been funded for the past three years, helping those in communities with the support of a Trusted Person. Reference was made to approval of the business case for the Huntingdon Biodiversity for All Project which was good news for

Huntingdon to take forward climate commitment and the Shared Prosperity Fun Investment Plan and confirmed the Huntingdonshire projects that had been submitted for approval.

Attention was drawn to the Councillor Conboy's concern for the inefficiency of the Board and the impact of delaying the delivery of projects on Huntingdonshire, but was reassured by the appointment of the new Interim Chief Executive and Senior Leadership Team and the emergence of an Improvement Plan to address ongoing issues and future work programme. She also reported upon the successful release of funding for the A141 St Ives business case and challenges of withdrawal of services by Stagecoach, with the outcome of the tender process by the Combined Authority to replace those services yet to be confirmed. Councillor Conboy encouraged Members to access the link to the Greater Cambridge Partnership City Access Scheme and drew attention to its relevance to the bus network and active travel in Huntingdonshire encouraging feedback to the consultation once live.

In response to a question raised by Councillor I D Gardener on the lack of bus service provision in the proposed bus network to the west and north of Huntingdonshire, whereby Councillor Conboy assured Members that the concern would be raised to ensure that any network covered the whole of Huntingdonshire, including the rural areas.

Arising from a question from Councillor J Neish on the potential for Huntingdonshire in future projects Councillor Conboy confirmed that with the new management structure in place she was confident of seeing an improvement and also reported that the focus should be wider to think about other partnerships that the District Council could join in Cambridgeshire, opening up wider opportunities for collaboration.

In welcoming the feedback from the Executive Leader, Councillor J A Gray referenced the investigations at the Combined Authority and expectation of moving beyond the current situation, whereby Councillor Conboy expressed her similar concerns and reported that she had been assured that matters would be resolved soon and was equally keen to have a determination to move forward. Councillor Gray further referenced recent statements from the Interim Chief Executive and the non-existence of basic elements of governance and Councillor Conboy reassured Members that she would do all she could to ensure that any progress on this was timely and effective to ensure that the Combined Authority could be held to account.

Councillor M A Hassall provided an update from the July 2022 meeting of the Cambridgeshire and Peterborough Combined Authority Overview and Scrutiny Committee. He reported that the largest focus of the meeting was surrounding the Improvement Plan and attendance by the Interim Chief Executive to address the risk that the Government could bring in commissioners to run the Combined Authority and drew attention to the significant issue of vacant posts at the Combined Authority that had been delayed by the governance arrangements and the changes made to recruit without Board approval to avoid any further delays in recruitment. He was reassured that the Interim Management Structure was taking the right steps forward in its improvement journey.

Members were provided with an update on the Cambridgeshire and Peterborough Audit and Governance Committee by Councillor S J Corney and

he referred to the recent meeting with attendance by the Interim Chief Executive and Ernst and Young Auditors. In particular concerns with the red actions highlighted on the Corporate Risk Register but was reassured by action proposed to manage the risks. He further reported that the Committee had requested attendance by representatives of the Department of Levelling Up, Housing and Communities but this invitation had been declined at the present time to allow for the establishment of the improvement measures that had been put in place.

### **38 OUTCOMES FROM COMMITTEES AND PANELS**

A copy of the list of meetings held since the last meeting of the Council held on 20th July 2022 is appended in the Minute Book and Members were advised that any issues or questions could be raised in relation to these meetings.

Arising from a question raised by Councillor J Neish to the Chair of Development Management Committee on the number of applications being submitted to the Committee for determination and what the Chair had done to ensure that no further meetings would be cancelled owing to insufficient business, as well the content of more meaningful agendas including strategic applications, Councillor D L Mickelburgh undertook to provide a full written response in explanation.

Councillor T Alban addressed a question to the Vice-Chair of Overview and Scrutiny (Customers and Partnerships), in the absence of the Chair, on his gratitude for the support to reinstate the Climate Change Strategy Working Group and asked for reassurance that the Working Group continued to operate as cross-party, independent, backbench led with Members free to determine their own terms of reference. Councillor N J Hunt undertook to convey this request to the Chair and a response would be provided.

### **39 VARIATIONS TO THE MEMBERSHIP OF COMMITTEES AND PANELS**

There were no changes to report.

The meeting ended at 8.56pm.

Chairman

## CHAIR AND VICE CHAIR'S ENGAGEMENTS 13 October – 15 December 2022

<b>Date:</b>	<b>Event:</b>	<b>Venue:</b>
<b><u>October</u></b>		
Sunday 16-Oct-22	High Sheriff's Justice Service	Ely
Friday 21-Oct-22	The Royal Society of St George Commemoration of Trafalgar Day Dinner	Brampton
Thursday 27-Oct-22	RBL Flag Raising Ceremony	Huntingdon
<b><u>November</u></b>		
Sunday 6-Nov-22	Charity Concert	St Ives
Friday 11-Nov-22	*Veterans' Day Ceremony Act of Remembrance	Madingley
Sunday 13-Nov-22	*Remembrance Sunday	Huntingdon
Sunday 13-Nov-22	Remembrance Sunday	St Ives
Friday 25-Nov-22	Godmanchester Town Council Civic Supper	Godmanchester
Tuesday 29-Nov-22	*Pathfinders Memorial Bench Unveiling	Huntingdon
<b><u>December</u></b>		
Wednesday 14-Dec-22	Huntingdon Town Council Carol Service	Huntingdon

*Notes:*

1. *The above events have occurred since the last Full Council held on 12 October 2022.*
2. *\*Events attended by the Vice-Chair on behalf of the Chair.*

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**Public  
Key Decision - No**

## HUNTINGDONSHIRE DISTRICT COUNCIL

<b>Title:</b>	Treasury Management 6 Month Performance Review
<b>Meeting/Date:</b>	Council – 15 December 2022
<b>Executive Portfolio:</b>	Executive Councillor for Finance & Resources
<b>Report by:</b>	Director of Finance and Corporate Resources
<b>Ward(s) affected:</b>	All Wards

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### **Executive Summary:**

Best practice and prescribed treasury management guidance requires Members to be kept up to date in respect of treasury management activity for the first half of the year, including investment and borrowing activity and treasury performance.

The Council's 2022/23 Treasury Management Strategy was approved by the Council on the 23<sup>rd</sup> February 2022 and this report sets out the Treasury Performance for period between 1<sup>st</sup> April 2022 and 30<sup>th</sup> September 2022.

### **The main purpose of Treasury Management is to**

- Ensure the Council has sufficient cash to meet its day to day obligations.
- Borrow when necessary to fund capital expenditure, including borrowing in anticipation of need when rates are low.
- Invest surplus funds in a manner that balances low risk of default by the borrower with a fair rate of interest.

### **The key market Treasury Management issues through the first half of 2022/23 influencing the Council's decision-making were.**

- The Bank of England (BoE) held Bank Rate increased over the period to 2.25% from 0.75% in March.
- Rising Gilt rates following the mini budget on 23<sup>rd</sup> September, and continued volatility.

- Gilt rates (5 year) rose from 1.41% to 4.4%, feeding into the rates paid for lending to the Debt Management Office.
- The Sterling Overnight Rate averaged 1.22%

**The Council's responses to the key issues were.**

- When the Council has surplus funds, these will primarily be invested on a short term basis, primarily in the DMO, money market funds, and the council's transaction bank Natwest.
- Where possible to take a higher return without sacrificing liquidity eg use of timed deposits at the DMO.
- Where economic conditions are forecast to deteriorate it is vital to monitor financial institutions credit rating, and credit default swap rates (the cost to insure lending). This information is provided by the Council's treasury adviser - Arlingclose.

**The Council's Commercial Investment Strategy (CIS)**

The Commercial Investment Strategy commenced in 2015/16. Indicators relating to the investments are shown in **Appendix A section 3.5**.

These investments generated £2.8m of investment income for the Council in 2022/23 after taking account of direct costs. The breakdown of the property's portfolio is shown in **Table 6** and the proportion of the investment income in relation to gross service expenditure, in **Table 7 of Appendix A**.

**Recommendation(s):**

The Council is **RECOMMENDED** to

consider the contents of the report.

## **1. PURPOSE OF THE REPORT**

- 1.1 The purpose of this report is to update Members on the Council's treasury management activity for the first 6 months of the year, including investment and borrowing activity and treasury performance.

## **2. BACKGROUND**

- 2.1 It is regarded as best practice and prescribed treasury management practice, that Members are kept up to date with treasury management activity.
- 2.2 The Council approved the 2022/23 Treasury Management Strategy at its meeting on 23rd February 2022.
- 2.3 All treasury management activity undertaken during the first half of 2022/23 complied with the CIPFA Code of Practice and relevant legislative provisions.
- 2.4 The investment strategy is to invest any surplus funds in a manner that balances low risk of default by the borrower with a fair rate of interest. The Council's borrowing strategy permits borrowing for cash flow purposes and funding current and future capital expenditure over whatever periods are in the Council's best interests.

## **3. ANALYSIS**

### **Economic Review**

- 3.1 An economic review of the year has been provided by our Treasury Management advisors, Arlingclose and is attached with an analysis of the local context implications in **Appendix A section 2.0**.

### **Performance of Council Funds**

- 3.2 The treasury management transactions undertaken during the first 6 months of 2022/23 financial year and the details of the investments and loans held as at 30<sup>th</sup> September 2022 are shown in detail in **Appendix A section 3.0 to 3.3**.

### **Risk Management**

- 3.3 The Council's primary objectives for the management of its investment are to give priority to the security and liquidity (how quickly cash can be accessed) of its funds before seeking the best rate of return. For more details see **Appendix A section 3.4**.

### **Non-Treasury Investments**

- 3.4 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial

return. The full details of these investments can be found on **Section 3.5 of Appendix A.**

### **Compliance**

- 3.5 Compliance with specific investment and debt limits are indicated in **tables 8 and 9 of Appendix A.**

### **Treasury Management Indicators**

- 3.6 The Council measures and manages its exposure to treasury management risks using indicators which are details in the **Appendix A section 5.0.**

## **4. COMMENTS OF OVERVIEW & SCRUTINY**

- 4.1 The comments of the relevant Overview and Scrutiny Panel will be provided to the Cabinet.

### **List of Appendices**

#### **Appendix A**

- Economic review (source: Arlingclose)
- Borrowing and Investment as at 30<sup>th</sup> September 2022
- Risk Management
- Non-treasury Investments (CIS and service loans)
- Treasury Management Compliance and Indicators
- Outlook for the remainder of 2022/23

#### **Appendix B**


- Capital Prudential Indicators

#### **Appendix C**


- Glossary

### **CONTACT OFFICER**

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### Treasury Management 6 Month Performance Review

#### 1.0 Introduction

The Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve treasury management semi-annual and annual reports.

The Council's treasury management strategy for 2022/23 was approved at a meeting on 23<sup>rd</sup> February 2022. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remain central to the Council's treasury management strategy.

CIPFA published its revised Treasury Management Code of Practice and Prudential Code for Capital Finance in December 2021. The key changes in the two codes include permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments. The principles within the two Codes took immediate effect although local authorities could defer introducing the revised reporting requirements within the revised Codes until the 2023/24 financial year if they wish, which this council has elected to do, as the preparations for the 2022/23 strategy was already underway.

Treasury risk management at the Authority is conducted within the framework of the TM Code. This Code now also includes extensive additional requirements for service and commercial investments, far beyond those in the previous (2017) version.

#### 2.0 External Context

##### 2.1 Economic background

The ongoing conflict in Ukraine has continued to put pressure on global inflation and the economic outlook for UK and world growth remains weak. The UK political situation towards the end of the period following the 'fiscal event' increased uncertainty further.

The economic backdrop during the April to September period continued to be characterised by high oil, gas and commodity prices, ongoing high inflation and its impact on consumers' cost of living, no imminent end in sight to the Russia-Ukraine hostilities and its associated impact on the supply chain, and China's zero-Covid policy.

Central Bank rhetoric and action remained robust. The Bank of England, Federal Reserve and the European Central Bank all pushed up interest rates over the period and committed to fighting inflation, even when the consequences were in all likelihood recessions in those regions.

UK inflation remained extremely high. Annual headline CPI hit 10.1% in July, the highest rate for 40 years, before falling modestly to 9.9% in August. RPI registered 12.3% in both July and August. The energy regulator, Ofgem, increased the energy price cap by 54% in April, while a further increase in the cap from October, which would have seen households with average energy consumption pay over £3,500 per annum, was dampened by the UK government stepping in to provide around £150 billion of support to limit bills to £2,500 annually until 2024.

The labour market remained tight through the period but there was some evidence of easing demand and falling supply. The unemployment rate 3m/year for April fell to 3.8% and declined further to 3.6% in July. Although now back below pre-pandemic levels, the recent decline was driven by an increase in inactivity rather than demand for labour. Pay growth in July was 5.5% for total pay (including bonuses) and 5.2% for regular pay. Once adjusted for inflation, however, growth in total pay was -2.6% and -2.8% for regular pay.

With disposable income squeezed and higher energy bills still to come, consumer confidence fell to a record low of -44 in August, down -41 in the previous month. Quarterly GDP fell -0.1% in the April-June quarter driven by a decline in services output, but slightly better than the 0.3% fall expected by the Bank of England.

The Bank of England increased the official Bank Rate to 2.25% over the period. From 0.75% in March, the Monetary Policy Committee (MPC) pushed through rises of 0.25% in each of the following two MPC meetings, before hiking by 0.50% in August and again in September. August's rise was voted by a majority of 8-1, with one MPC member preferring a more modest rise of 0.25%. The September vote was 5-4, with five votes for an 0.5% increase, three for an 0.75% increase and one for an 0.25% increase. The Committee noted that domestic inflationary pressures are expected to remain strong and so given ongoing strong rhetoric around tackling inflation further Bank Rate rises should be expected.

On 23rd September the UK government, following a change of leadership, announced a raft of measures in a 'mini budget', loosening fiscal policy with a view to boosting the UK's trend growth rate to 2.5%. With little detail on how government borrowing would be returned to a sustainable path, financial markets reacted negatively. Gilt yields rose dramatically by between 0.7% - 1% for all maturities with the rise most pronounced for shorter dated gilts. The swift rise in gilt yields left pension funds vulnerable, as it led to margin calls on their interest rate swaps and risked triggering large scale redemptions of assets across their portfolios to meet these demands. It became necessary for the Bank of England to intervene to

preserve market stability through the purchase of long-dated gilts, albeit as a temporary measure, which has had the desired effect with 50-year gilt yields falling over 100bps in a single day.

Bank of England policymakers noted that any resulting inflationary impact of increased demand would be met with monetary tightening, raising the prospect of much higher Bank Rate and consequential negative impacts on the housing market.

After hitting 9.1% in June, annual US inflation eased in July and August to 8.5% and 8.3% respectively. The Federal Reserve continued its fight against inflation over the period with a 0.5% hike in May followed by three increases of 0.75% in June, July and September, taking policy rates to a range of 3% - 3.25%.

Eurozone CPI inflation reached 9.1% y/y in August, with energy prices the main contributor but also strong upward pressure from food prices. Inflation has increased steadily since April from 7.4%. In July the European Central Bank increased interest rates for the first time since 2011, pushing its deposit rate from -0.5% to 0% and its main refinancing rate from 0.0% to 0.5%. This was followed in September by further hikes of 0.75% to both policy rates, taking the deposit rate to 0.75% and refinancing rate to 1.25%.

## **2.2 Financial markets**

Uncertainty remained in control of financial market sentiment and bond yields remained volatile, continuing their general upward trend as concern over higher inflation and higher interest rates continued to dominate. Towards the end of September, volatility in financial markets was significantly exacerbated by the UK government's fiscal plans, leading to an acceleration in the rate of the rise in gilt yields and decline in the value of sterling.

Due to pressure on pension funds, the Bank of England announced a direct intervention in the gilt market to increase liquidity and reduce yields.

Over the period the 5-year UK benchmark gilt yield rose from 1.41% to 4.40%, the 10-year gilt yield rose from 1.61% to 4.15%, the 20-year yield from 1.82% to 4.13% and the 50-year yield from 1.56% to 3.25%. The Sterling Overnight Rate (SONIA) averaged 1.22% over the period.

## **2.3 Credit review**

In July Fitch revised the outlook on Standard Chartered from negative to stable as it expected profitability to improve thanks to the higher interest rate environment. Fitch also revised the outlook for Bank of Nova Scotia from negative to stable due to its robust business profile.

Also in July, Moody's revised the outlook on Bayerische Landesbank to positive and then in September S&P revised the GLA outlook to stable from negative as it expects the authority to remain resilient despite pressures from a weaker macroeconomic outlook coupled with higher inflation and interest rates.

Having completed its full review of its credit advice on unsecured deposits at UK and non-UK banks, in May Arlingclose extended the maximum duration limit for five UK banks, four Canadian banks and four German banks to six months. The maximum duration for unsecured deposits with other UK and non-UK banks on Arlingclose's recommended list is 100 days. These recommendations were unchanged at the end of the period.

Arlingclose continued to monitor and assess credit default swap levels for signs of credit stress but made no changes to the counterparty list or recommended durations. Nevertheless, increased market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

### **3.0 Local Context**

On 31<sup>st</sup> March 2022, the Council had theoretical net investments of £85.3m (this level may not be reached due to daily cashflows) arising from its revenue income and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.



Table 1: Balance Sheet Summary

	<b>31.3.22 Actual £m</b>
Capital Financing Requirement	71.4
Less: Other debt liabilities*	(0.5)
<b>Total CFR</b>	<b>69.9</b>
External borrowing	(38.9)
<b>Internal borrowing</b>	<b>31.0</b>
Less: Usable reserves	(78.7)
Less: Working capital	(35.8)
<b>Net (Investing) or New Borrowing</b>	<b>(83.5)</b>

\*Finance lease for Phoenix Court

The Council pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, to reduce risk and keep interest costs low. The treasury management position as at 30<sup>th</sup> September 2022 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	<b>31.3.22 Balance £m</b>	<b>Movement £m</b>	<b>30.9.22 Balance £m</b>	<b>30.9.22 Rate %</b>
Long-term borrowing	38.92	(0.14)	38.78	2.83 <sup>a</sup>
Short-term borrowing	0.00	0.00	0.00	0.00
<b>Total borrowing</b>	<b>38.92</b>	<b>(0.14)</b>	<b>38.78</b>	
Long-term investments	4.00	0.00	4.00	3.70 <sup>b</sup>
Short-term investments	21.00	17.00	38.00	1.67 <sup>a</sup>
Cash equivalents	28.05	(6.33)	21.72	1.59 <sup>a</sup>
<b>Total investments</b>	<b>53.05</b>	<b>10.67</b>	<b>63.72</b>	<b>1.70</b>
<b>Net borrowing/(Investing)</b>	<b>(14.13)</b>	<b>(10.81)</b>	<b>(24.94)</b>	

<sup>a</sup> Weighted average

<sup>b</sup> Based on face value of investment and based on Q1 income projected for full year.

The movement in the cash and cash equivalent has been as result of increased reserves and working capital. These funds were invested in bank deposits, the DMO and Money Market Funds to ensure easy access to maintain liquidity.

### 3.1 Borrowing

CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority.

PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.

### 3.2 Borrowing Strategy and activity during the period

As outlined in the treasury strategy, the Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required.

Over the April-September period short term PWLB rates rose dramatically, particular in late September after the Chancellor's 'mini-budget', included unfunded tax cuts and additional borrowing to fund consumer energy price subsidies. Exceptional volatility threatened financial stability, requiring Bank of England intervention in the gilt market. Over a twenty-four-hour period some PWLB rates increased to 6%, before the intervention had the desired effect, bringing rates back down by over 1% for certain maturities.

Interest rates rose by over 2% during the period in both the long and short term. As an indication the 5-year maturity certainty rate rose from 2.30% on 1st April to 5.09% on 30th September; over the same period the 30-year maturity certainty rate rose from 2.63% to 4.68%

At 30<sup>th</sup> September 2022, the Council held £38.92m of loans, a decrease of £0.14m from 31<sup>st</sup> March 2022. Outstanding loans on 30<sup>th</sup> September are summarised in Table 3 below.

Table 3: Borrowing Position

	<b>31.3.22 Balance £m</b>	<b>Net Movement £m</b>	<b>30.9.22 Balance £m</b>	<b>30.9.22 Weighted Average Rate %</b>	<b>30.9.22 Weighted Average Maturity (years)</b>
Public Works Loan Board	38.88	(0.14)	38.74	2.83%	22
Salix Loan	0.035	0.00	0.035	0.00%	4
Local authorities (short-term)	0.00	0.00	0.00	0.00%	0
<b>Total borrowing</b>	<b>38.92</b>	<b>(0.14)</b>	<b>38.78</b>	<b>2.83%</b>	<b>22</b>

The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

With short-term interest rates remaining much lower than long-term rates, the Council considered it to be more cost effective in the near term to use internal resources or short-term loans instead. The Council had not used short-term loans facility so far in this financial year.

Although it was anticipated that the Council's CFR would increase due to the capital programme, delays in the capital programme due to the pandemic no new loans have been taken out.

<b>Long-dated Loans borrowed</b>	<b>PWLB Reference</b>	<b>Amount £</b>	<b>Rate %</b>	<b>Period (Years)</b>
PWLB 1	495152	5,000,000	3.90	36
PWLB 2	495153	5,000,000	3.91	35
PWLB 3	502463	165,474	2.24	1
PWLB 4	504487	648,585	3.28	24
PWLB 5	504598	861,233	3.10	24
PWLB 6	504810	428,708	2.18	25
PWLB 7	504922	349,167	3.10	25
PWLB 8	504993	282,599	2.92	25
PWLB 9	505255	557,484	2.31	25
PWLB 10	505372	427,523	2.91	25
PWLB 11	505649	767,264	2.67	25
PWLB 12	506436	5,000,000	2.78	15
PWLB 13	508696	7,291,685	2.49	16
PWLB 15	509389	11,963,000	2.18	17
Salix Loan		35,000	0.00	4
<b>Total borrowing</b>			<b>2.83</b>	<b>(weighted) 22</b>

Note that loans PWLB 4-11 were paid in full on the 5<sup>th</sup> of October 2022.

The Council's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short- and long-term borrowing was maintained.

### **3.3 Treasury Investment Activity**

CIPFA revised TM Code defines treasury management investments as those which arise from the Authority's cash flows or treasury risk management activity that ultimately represents balances which need to be invested until the cash is required for use in the course of business.

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the period from 1<sup>st</sup> April 2022 to 30<sup>th</sup> September 2022 the balances invested (excluding loans and property fund) ranged between £39.9m and £64.08m.

The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

The weighted average rate for the investment portfolio up to 30.09.2022 was 1.70%.

	<b>31.3.22</b>	<b>Net</b>	<b>30.9.22</b>	<b>30.9.22</b>	<b>30.9.22</b>
	<b>Balance</b>	<b>Movement</b>	<b>Balance</b>	<b>Income</b>	<b>Weighted</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>Return</b>	<b>Average</b>
				<b>%</b>	<b>Maturity</b>
					<b>Days</b>
Banks & building societies (unsecured)	5.07	0.65	5.72	0.3	1
Government (incl. local authorities)	21.00	17.00	38.00	1.67	76
Money Market Funds	23.00	(7.00)	16.00	1.51	1
Loans to other organisation	6.98	(4.81)	2.17	3.97	>365
Other Pooled Funds					
- Property fund (CCLA)	4.00	0.00	4.00	3.69	>365
<b>Total investments</b>	<b>56.05</b>	<b>9.84</b>	<b>65.89</b>	<b>1.70</b>	

Loans to other organisations has decreased significantly (by £4.8m) because Places for People paid off, in the full, the loan that was advanced in 2015 and intended to mature in 2047. The related PWLB loans (8) were paid off in full on the 5<sup>th</sup> October 2022 so are still included in the figures for this half year report.

### 3.4 Risk Management

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

The increases in Bank Rate over the period under review, and with the prospect of more increases to come, short-dated cash rates, which had ranged between 0.7% - 1.5% at the end of March, rose by around 1.5% for overnight/7-day maturities and by nearly 3.5% for 9-12 month maturities.

By end September, the rates on DMADF deposits ranged between 1.85% and 3.5%. The return on the Council's sterling low volatility net asset value (LVNAV) Money

Market Funds ranged between 0.51% - 0.59% in early April and between 1.96% and 2.12% at the end of September

Given the risk of short-term unsecured bank investments and the low returns, the Council has maintained a diversified portfolio of asset classes as shown in table 4 above. An amount of £4m has been maintained in the long term property fund over the period.

The progression of risk and return metrics are shown in the extracts from Arlingclose’s quarterly investment benchmarking in Table 5 below.

**Table 5: Investment Benchmarking – Treasury investments managed in-house**

	<b>Credit Score</b>	<b>Credit Rating</b>	<b>Bail-in Exposure</b>	<b>Weighted Average Maturity<sup>(1)</sup> (days)</b>	<b>Internal Investment Return <sup>(2)</sup></b>
			<b>%</b>		<b>%</b>
31.03.2022	4.10	AA-	57	15	0.39
30.06.2022	3.79	AA-	42	45	0.92
30.09.2022	3.68	AA-	36	12	1.64
Similar LAs	4.34	AA-	57	42	1.70
All LAs	4.07	AA-	55	18	1.72

<sup>(1)</sup>The weighted average maturity includes the CCLA Property Fund, average maturity of investments is 1 day.

<sup>(2)</sup> This is short-term investment only and excludes the property fund, investment return as at 30/09/22 including property fund is 1.79%

£4m of the Council’s investments are held in externally managed strategic pooled property funds – CCLA Property Fund where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. This fund generated a total return in quarter 1 of £36,879 (3.69%), for period of 1<sup>st</sup> April to 30<sup>th</sup> June 2022 which is used to support services in year.

Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council’s investment objectives are regularly reviewed. The council was notified in October that the notice period for withdrawals from the fund was being increased from 90 days to 6 months. The council has never made a withdrawal and views the fund as a long-term investment, so in the short to medium term this is not expected to cause any issues, quarterly dividends are expected to be paid as normal. The fund altered the notice period in response to uncertainty in the property market, redemptions from the fund are currently relatively low.

Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates. In light of their performance over the medium-term and the Council's latest cash flow forecasts, investment in these funds has been maintained.

### **3.5 Non-Treasury Investments**

The definition of investments in CIPFA's 2021 Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Authority holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) also includes within the definition of investments all such assets held partially or wholly for financial return.

The Authority also held investments in:

- directly owned property £69.5m

Table 6: Property held for investment purposes in £'000

Property	31.3.2021	31.3.2022 Actual*	
	Value in accounts	Gains or (losses)	Value in accounts
Existing Portfolio	33,892	(289)	33,603
2 Stonehill	2,150		2,150
80 Wilbury Way	1,775		1,775
Shawlands Retail Park	5,543	(20)	5,523
1400 & 1500 Parkway, Fareham	4,200	(50)	4,150
Units 21a, 21b,23a,b,c Little End Road, St Neots	3,400	(110)	3,290
Rowley Centre, St Neots	4,008	(705)	3,303
Tri-link, Wakefield	14,250	(50)	14,200
Alms Close	1,502	20	1,522
<b>TOTAL</b>	<b>70,720</b>		<b>69,516</b>

These investments generated £2.8m of investment income for the Authority from April to September 2022 after taking account of direct costs.

The Authority is dependent on profit generating investment activity to achieve a balanced revenue budget. The table below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Authority is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Strategy. The current forecast is showing an increase in expected net investment income of £693,000 due to tenants not breaking leases, and better rental agreement terms reached than was expected.



Table 7: Proportionality of Investments in £'000

	<b>2020/21 Actual £000s</b>	<b>2021/22 Actual £000s</b>	<b>2022/23 Budget £000s</b>	<b>2023/24 Budget £000s</b>	<b>2024/25 Budget £000s</b>
Gross service expenditure	121,354 <sup>(1)</sup>	87,068 <sup>(1)</sup>	64,296	63,936	64,741
Investment income	4,892	4,869	4,716	4,650	4,962
Service Investments	293	275	325	325	325
Proportion	4.27%	5.91%	7.84%	7.78%	8.17%

(1) Gross expenditure higher than normal due to covid business grant expenditure.

#### **4.0 Compliance**

The Chief Finance Officer (s151 officer) reports that all treasury management activities undertaken during the first half year complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 9 below.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 8 below.

Table 8: Debt Limits

	<b>30.9.22 Actual £m</b>	<b>2022/23 Operational Boundary £m</b>	<b>2022/23 Authorised Limit £m</b>	<b>Complied?</b>
General	10.00	70.00	80.00	Yes
Loans	4.49	15.00	20.00	Yes
CIS	24.26	30.00	35.00	Yes
<b>Total debt</b>	<b>38.74</b>	<b>115.00</b>	<b>135.00</b>	

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. Total debt was below the operational boundary all through the half year.

**Table 9: Investment Limits**

	<b>30.9.22 Actual £m</b>	<b>2022/23 Limit £m</b>	<b>Complied?</b>
<b>Deposit Accounts</b>			
NatWest <sup>(1)</sup>	5.77	£22m	Yes
Debt Management Office (DMO)	34.00	Unlimited	Yes
Barclays	0.001	4.00	Yes
Thurrock Council <sup>(2)</sup>	4.00	4.00	Yes
<b>Money Market Funds</b>			
Aberdeen Liquidity Fund	3.00	4.00	Yes
BlackRock Institutional sterling liquidity Fund	2.50	4.00	Yes
CCLA Public Sector Deposit Fund	3.00	4.00	Yes
Federated Short Term Prime Fund	2.00	4.00	Yes
HSBC Global Liquidity <sup>(3)</sup> Funds ESG	0.00	4.00	
Insight Liquidity Funds	1.50	4.00	Yes
Invesco	3.00	4.00	Yes
Legal & General Sterling Liquidity Fund	1.00	4.00	Yes
<b>Property Fund</b>			
CCLA Property Fund	4.00	5.00	Yes
<b>Total</b>	<b>63.77</b>		

<sup>(1)</sup>Natwest is the council's transactional bank, the balance held is sufficient for operational needs. The balance held on 30<sup>th</sup> September included funds received from Places for People loan repayment, this was received too late to invest elsewhere.

<sup>(2)</sup>The principal invested with Thurrock was returned on the agreed maturity date (24/10/2022), as well as the agreed interest.

<sup>(3)</sup>HSBC MMF was opened in September. This fund takes into account ESG factors when investing.

## **5.0 Treasury Management Indicators**

The Council measures and manages its exposures to treasury management risks using the following indicators.

## Security

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Table 10: Average Credit Rating

	30.9.22 Actual	2022/23 Target	Complied?
Portfolio average credit rating	AA-	A-	Yes

## Liquidity

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Table 11: Total Cash Available

	30.9.22 Actual £m	2022/23 Target £m	Complied?
Total cash available within 3 months	63.77	2	Yes

## Interest Rate Exposures (Discretionary local measure)

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

Table 12: Interest Rate Risk

Interest rate risk indicator	30.9.22 Actual	30.9.22 Theoretical <sup>1</sup>	2022/23 Limit	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£0	£389,000	£600,000	Yes
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£0	£389,000	£600,000	Yes

<sup>1</sup>In reality all borrowing is at a fixed interest rate (with PWLB) and so changes in rates will only be realised when and if the loans need to be refinanced. The loans that may need refinancing (ie those linked to asset purchases) have a weighted average years to maturity of 20 years. CIPFA no longer recommends setting limits for interest rate exposure, this is a locally adopted indicator.

The impact of a change in interest rates is calculated on the weighted average rate of interest (2.83%) being increased or reduced by 1%.

### **Maturity Structure of Borrowing**

This indicator is set to control the Council’s exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

Table 13: Maturity Structure

	<b>30.9.22 Actual</b>	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>Complied?</b>
Under 12 months	0.4%	80%	0%	Yes
12 months and within 24 months	0.0%	80%	0%	Yes
24 months and within 5 years	0.0%	80%	0%	Yes
5 years and within 10 years	0.0%	100%	0%	Yes
10 years and above	99.6%	100%	0%	Yes

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

### **Principal Sums Invested for Periods Longer than a Year**

Table 14: Sums Invested for Beyond One Year

	<b>2022/2 3</b>	<b>2023/2 4</b>	<b>2024/2 5</b>
Actual principal invested beyond year end (CCLA Property Fund)	£4.00m	£4.00m	£4.00m
Limit on principal invested beyond year end	£10.00 m	£10.00 m	£10.00 m
Complied?	Yes	Yes	Yes

## 6.0 Outlook for 2022/23 (Provided by Arlingclose)

### Interest Rates

	Current	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
Official Bank Rate													
Upside risk	0.00	0.50	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	2.25	4.25	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.75	4.25	3.75	3.25
Downside risk	0.00	-1.00	-1.00	-0.75	-0.50	-0.50	-0.50	-0.75	-1.25	-1.50	-1.75	-1.75	-1.75

Arlingclose expects Bank Rate to rise further during 2022/23 to reach 5% by the end of the financial year.

The MPC is particularly concerned about the demand implications of fiscal loosening, the tight labour market, sterling weakness and the willingness of firms to raise prices and wages.

The MPC may therefore raise Bank Rate more quickly and to a higher level to dampen aggregate demand and reduce the risk of sustained higher inflation. Arlingclose now expects Bank Rate to peak at 5.0%, with 200bps of increases this calendar year.

This action by the MPC will slow the economy, necessitating cuts in Bank Rate later in 2024.

Gilt yields will face further upward pressure in the short term due to lower confidence in UK fiscal policy, higher inflation expectations and asset sales by the BoE. Given the recent sharp rises in gilt yields, the risks are now broadly balanced to either side. Over the longer term, gilt yields are forecast to fall slightly over the forecast period.

### Background

Monetary policymakers are behind the curve having only raising rates by 50bps in September. This was before the “Mini-Budget”, poorly received by the markets, triggered a rout in gilts with a huge spike in yields and a further fall in sterling. In a shift from recent trends, the focus now is perceived to be on supporting sterling whilst also focusing on subduing high inflation.

There is now an increased possibility of a special Bank of England MPC meeting to raise rates to support the currency. Followed by a more forceful stance over concerns on the looser fiscal outlook. The MPC is therefore likely to raise Bank Rate higher than would otherwise have been necessary given already declining demand. A prolonged economic downturn could ensue.

Uncertainty on the path of interest rates has increased dramatically due to the possible risk from unknowns which could include for instance another Conservative leadership contest, a general election, or further tax changes including implementing windfall taxes.

The government's open ended approach to energy price caps, combined with

international energy markets priced in dollars, presents a fiscal mismatch that has contributed to significant decline in sterling and sharp rises in gilt yields which will feed through to consumers' loans and mortgages and business funding costs.

UK government policy has mitigated some of the expected rise in energy inflation for households and businesses flattening the peak for CPI, whilst extending the duration of elevated CPI. Continued currency weakness could add inflationary pressure.

The UK economy already appears to be in recession, with business activity and household spending falling. The short- to medium-term outlook for the UK economy is relatively bleak.

Global bond yields have jumped as investors focus on higher and longer lasting US policy rates. The rise in UK government bond yields has been sharper, due to both an apparent decline in investor confidence and a rise in interest rate expectations, following the UK government's shift to borrow to loosen fiscal policy. Gilt yields will remain higher unless the government's plans are perceived to be fiscally responsible.

The housing market impact of increases in the Base Rate could act as a "circuit breaker" which stops rates rising much beyond 5.0%, but this remains an uncertainty.

## Capital Prudential Indicators

Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. This includes spending on assets owned by other bodies, loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.

The summary of the capital expenditure is shown in the Table 1 below. The quarter 2 financial monitoring report will provide further detail.

The updated budget includes rephased schemes from 2021/22, and growth schemes funded by grants, in addition to the schemes included in the original budget.

Table 1: Summary of Capital Expenditure in £m

	<b>2022/23 Original Budget</b>	<b>2022/23 Updated<sup>(1)</sup> Budget</b>	<b>2022/23 Forecast</b>
General Fund Services	12.77	41.90	11.03
<b>Total</b>	<b>12.77</b>	<b>41.90</b>	<b>11.03</b>

<sup>(1)</sup> This includes rephasing from 2021/22 and growth funded by grants.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing and leasing).

Table 2: The summary of Capital financing in £m

	<b>2022/23 Budget</b>	<b>2022/23 Updated Budget</b>	<b>2022/23 Forecast</b>
External sources	2.13	15.42	3.34
CIL	0	2.30	0.41
Capital Receipts	8.29	17.08	0.68
Internal Borrowing or Debt	2.35	7.10	6.60
<b>Total</b>	<b>12.77</b>	<b>41.90</b>	<b>11.03</b>

Debt is only temporary source of finance since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP).

Table 3: The summary of Capital Financing Requirement in £m

	<b>2022/23 Budget</b>	<b>2022/23 Updated Budget</b>	<b>2022/23 Forecast</b>
Capital Financing Requirement	79.40	77.47	76.98
MRP	(2.80)	(2.80)	(2.55)
<b>Total</b>	<b>76.60</b>	<b>74.67</b>	<b>74.43</b>

The CFR for the updated budget and the forecast is the opening CFR of £70.378m plus the internal borrowing or debt line from table 2.

The opening CFR for 2022/23 is £70.378m, taken from draft statement of accounts, CFR note, closing position 2021/22.

When a capital asset is no longer needed, it may be sold so that the proceeds known as capital receipts can be spent on new assets or to repay debt. Repayments of capital grants, loan and investments also generate capital receipts.

The summary of the capital receipts is shown in Table 4 below in £m.

	<b>2022/23 Budget</b>	<b>2022/23 Updated Budget</b>	<b>2022/23 Forecast</b>
Asset sales	0.70	0.70	0.45
Loans repaid	0.00	0.28	4.89
<b>Total</b>	<b>0.70</b>	<b>0.98</b>	<b>5.34</b>

The forecast includes the loan repayment by Places for People of £4.7m, which may not all be used to fund capital expenditure in 2022/23, a funding mix decision will be taken at the year end.



### GLOSSARY

#### **Arlingclose**

The council's treasury management advisors.

#### **Bail in Risk**

Bail in risk arises from the failure of a bank. Bond-holders or investors in the bank would be expected to suffer losses on their investments, as opposed to the bank being bailed out by government.

#### **Bank Equity Buffer**

The mandatory capital that financial institutions are required to hold, in order to provide a cushion against financial downturns, to ensure the institution can continue to meet its liquidity requirements.

#### **The Bank Rate**

The Bank of England's interest rate.

#### **Bank Stress Tests**

Annual tests carried out by the Bank of England on the UK banking system to assess resilience to recessions in the UK and globally, large falls in assets prices, and higher global interest rates.

#### **Bonds**

A bond is a form of loan, the holder of the bond is entitled to a fixed rate of interest (coupon) at fixed intervals. The bond has a fixed life and can be traded.

#### **B.P.S. (Basis points)**

One basis point is 0.01%, 25 basis points is 0.25%.

#### **Call Account**

A bank account that offers a rate of return and the funds are available to withdraw on a daily basis.

#### **Capital Expenditure**

Expenditure on assets (tangible or intangible) that will be used for longer than one year eg property, vehicles, software (intangible assets).

#### **Capital Financing Requirement (CFR)**

The CFR is a measure of the capital expenditure incurred historically, but has yet to be financed (or funded); by for example capital receipts or grants funding.

#### **Capital Receipt**

The cash received from the sale of a non-current asset eg sale of property or land.

#### **CIPFA**

The Chartered Institute of Public Finance and Accountancy (CIPFA) is a professional institute for accountants working in the public services, national audit agencies, in major accountancy firms, and in other bodies where public

money needs to be managed. It is the only UK professional accountancy body to specialise in public services.

### **Collar (Money Market Fund)**

The fund “collar” forms part of the valuation mechanism for the fund. LVNAV funds allow investors to purchase and redeem shares at a constant NAV calculated to 2 decimal places, i.e. £1.00. This is achieved by the fund using amortised cost for valuation purposes, subject to the variation against the marked-to-market NAV being no greater than 20 basis points (0.2%). (This compares to current Prime CNAV funds which round to 50 basis points, or 0.5%, of the NAV.)

### **Counterparty**

Another organisation with which the Council has entered into a financial transaction with, for example, invested with or borrowed from.

### **CPI**

The Consumer Price Index is a price index, it is the price of a weighted average market basket of consumer goods and services purchased by households. Changes in CPI track changes in process over time. CPIH includes housing costs.

### **Credit Default Swaps (CDS)**

A financial agreement that the seller of the CDS will compensate the buyer in the event of a loan default. The seller insures the buyer against a loan defaulting.

### **Credit Ratings**

A credit rating is the evaluation of a credit risk of a debtor, and predicting their ability to pay back the debt. The rating represents an evaluation of a credit rating agency of the qualitative and quantitative information, this result in a score, denoted usually by the letters A to D and including +/- . Fitch, Moody's and Standard and Poor's provide credit ratings.

### **DLUHC**

The Department for Levelling Up, Housing and Communities (DLUHC), formerly the Ministry for Housing, Communities and Local Government (MHCLG), is the UK Government department for housing, communities and local government in England.

### **DMO**

The Debt Management Office is an executive agency of HM Treasury. The DMO operates the PWLB lending facility and the Debt Management Account Deposit Facility (DMADF). The DMADF offers fixed term deposits, with rates fixed on the day of deposit. All deposits with the DMADF are placed in the Debt Management Account and therefore represent a direct claim on the government.

### **ESG (Environmental, Social and Governance)**

ESG is a set of standards for an organisation's behaviour, used by investors to screen potential investments.

- Environmental focuses on preserving the natural world (eg climate change, energy efficiency, biodiversity).

- Social focuses on people and relationships (eg diversity, inclusion, employee engagement).
- Governance on an organisation's management and leadership (board composition, cybersecurity, preventing bribery and corruption).

### **Federal Open Market Committee (FOMC)**

The Federal Open Market Committee (FOMC), a committee within the Federal Reserve System, is charged with overseeing the USA's open market operations (e.g., the Fed's buying and selling of United States Treasury securities). This Federal Reserve committee makes key decisions about interest rates and the growth of the United States money supply.

### **FTSE**

A UK provider of stock market indices, it is owned by the London Stock Exchange.

### **GDP**

Gross Domestic Product is a monetary measure of the market value of all the final goods and services produced by a country in a particular time period.

### **Gilts**

Bonds issued by the Government. Gilts are traded, as the price of the bond falls the yield increases, although the face value and interest rate paid are fixed.

### **Internal Borrowing**

The use of the council's own cash balances to finance expenditure. As opposed to external borrowing eg from PWLB.

### **Liquidity**

The degree to which an asset can be bought or sold quickly.

### **LVNAV Money Market Fund**

Low volatility net asset value. The fund will have at least 10% of its assets maturing on a daily basis and at least 30% of assets maturing on a weekly basis.

### **Minimum Revenue Provision (MRP)**

An amount set aside to repay debt.

### **Monetary Policy Committee (MPC)**

The Monetary Policy Committee (MPC) is a committee of the Bank of England, which meets eight times a year, to decide the official interest rate in the United Kingdom (the Bank of England Base Rate).

### **Money Market Funds**

An open ended mutual fund that invests in short-term debt securities. A deposit will earn a rate of interest, whilst maintaining the net asset value of the investment. Deposits are generally available for withdrawal on the day.

### **Public Works Loans Board (PWLB)**

The PWLB is an agency of the Treasury, it lends to public bodies at fixed rates for periods up to 50 years. Interest rates are determined by gilt yields.

**Prudential Code (CIPFA)**

The framework established by the Prudential Code supports local strategic planning, local asset management planning and proper option appraisal. The objective of the Prudential Code is to ensure, within this clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable.

**SONIA (Sterling over night index average)**

SONIA is an important interest rate benchmark. It is administered by the Bank of England, and is based on actual transactions and reflects the average on the interest rates that banks pay to borrow sterling overnight from other financial institutions. This rate has replaced LIBOR.

**S31 Grants**

Grants issued by central government to local authorities, relating to a specific purpose.

**Transactional Banking**

Use of a bank for day to day banking requirement, e.g. provision of current accounts, deposit accounts and on-line banking.

**Treasury Management Code (CIPFA)**

This code was developed to meet the needs of local authorities (including PCCs and fire authorities), registered social landlords, further and higher education institutions, and NHS trusts. In order to provide a clear definition of treasury management activities.

## MEETINGS OF THE COUNCIL'S COMMITTEES AND PANELS SINCE THE LAST ORDINARY MEETING

### OCTOBER 2022

#### 17. DEVELOPMENT MANAGEMENT COMMITTEE

- ❖ 1 Other Application
- ❖ 3 Applications requiring Reference to Development Management Committee
- ❖ Appeal Decisions

#### 18. CABINET

- ❖ Community Infrastructure Levy Spend Allocation

### NOVEMBER 2022

#### 2. OVERVIEW AND SCRUTINY PERFORMANCE AND GROWTH)

- ❖ Active Travel Strategy for Cambridgeshire Public Consultation
- ❖ Huntingdonshire Transport Strategy
- ❖ Corporate Performance Report, 2022-23, Quarter 2
- ❖ Work Programme

#### 3. OVERVIEW AND SCRUTINY (CUSTOMERS AND PARTNERSHIPS)

- ❖ One Leisure Pricing Proposals 2023-24
- ❖ Warm Spaces
- ❖ Work Programme

#### 15. CABINET

- ❖ One Leisure Pricing Proposal 2023/24
- ❖ Huntingdonshire Transport Strategy
- ❖ Active Travel Strategy for Cambridgeshire Public Consultation
- ❖ Corporate Performance Report 2022/23, Quarter 2
- ❖ Hinchingbrooke Country Park Joint Group

#### 21. DEVELOPMENT MANAGEMENT COMMITTEE (Adjourned to 28th November 2022)

- ❖ 4 Applications requiring reference to Development Management Committee
- ❖ 14 Deferred Items
- ❖ Appeal Decisions

**23. EMPLOYMENT COMMITTEE**

- ❖ Workforce Report Quarter Two 2022-23
- ❖ HR Policy Update Commencing 2022
- ❖ Employee Representatives Group

**24. SENIOR OFFICERS COMMITTEE**

- ❖ Appointment of Interim Managing Director and Head of Paid Service, Returning Officer and Electoral Registration Officer (Exempt)

**30. CORPORATE GOVERNANCE COMMITTEE**

- ❖ Code of Conduct Complaints – Update
- ❖ External Audit Plan 2021-22
- ❖ CIPFA Code of Financial Management
- ❖ Implementation of Internal Audit Actions
- ❖ Internal Audit Service – Progress Report
- ❖ Corporate Risk Register
- ❖ Corporate Governance Progress Report

**DECEMBER 2022**

**1. OVERVIEW AND SCRUTINY (CUSTOMERS AND PARTNERSHIPS)**

- ❖ Business Rates - Rural Settlement List
- ❖ Change to Panel Name
- ❖ Work Programme

**7. LICENSING AND PROTECTION COMMITTEE**

- ❖ Monitoring Report on the Delivery of the Food Law Enforcement and Health and Safety Service Plans.
- ❖ Suspension and Revocation of Hackney Carriage and Private Hire Vehicle Licences
- ❖ Licensing and Protection Sub Committees.

**7. OVERVIEW AND SCRUTINY (PERFORMANCE AND GROWTH)**

- ❖ Huntingdonshire UK Shared Prosperity Funding
- ❖ Market Towns Programme – Winter Update
- ❖ Infrastructure Funding Statement
- ❖ Greater Cambridge Partnership Making Connections Consultation
- ❖ Finance Performance Report 2022-23 (Quarter 2)
- ❖ Treasury Management 6 Month Performance Review
- ❖ Work Programme

## 12. CABINET

- ❖ Business Rates – Rural Settlement List
- ❖ Huntingdonshire UK Shared Prosperity Funding
- ❖ Market Towns Programme – Winter Update
- ❖ Infrastructure Funding Statement
- ❖ Greater Cambridge Partnership ‘Making Connections’ Consultation
- ❖ Finance Performance Report 2022/23 (Quarter 2)
- ❖ Treasury Management 6 Month Performance Review
- ❖ Senior Officers’ Committee – Cabinet Notification (Exempt)

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