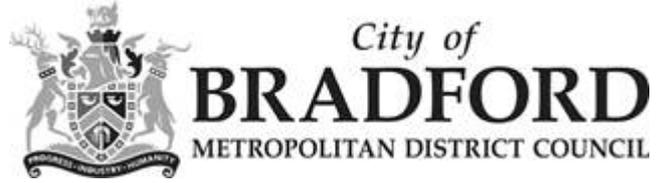


# Public Document Pack



## Department of Corporate Resources

Members of Council

### Committee Secretariat

Legal and Democratic Services  
Room 112, 1<sup>st</sup> Floor  
City Hall  
Bradford  
West Yorkshire  
BD1 1HY

Tel: 07970 412150  
Contact: Adrian Tumber  
Email: [adrian.tumber@bradford.gov.uk](mailto:adrian.tumber@bradford.gov.uk)  
Your Ref: AT/Council

Date: 30 November 2020

Dear Councillor

### MEETING OF COUNCIL – TUESDAY, 8 DECEMBER 2020

You are requested to attend the meeting of the Council to be held Remotely on Tuesday, 8 December 2020 at 4.00 pm

The agenda for the meeting is set out overleaf.

Yours sincerely

A handwritten signature in black ink that reads 'P. Akhtar'.

Parveen Akhtar  
City Solicitor

#### Notes:

- ◆ This agenda can be made available in Braille, large print or tape format.
- ◆ The taking of photographs, filming and sound recording of the meeting is allowed except if Councillors vote to exclude the public to discuss confidential matters covered by Schedule 12A of the Local Government Act 1972. Recording activity should be respectful to the conduct of the meeting and behaviour that disrupts the meeting (such as oral commentary) will not be permitted. Anyone attending the meeting who wishes to record or film the meeting's proceedings is advised to liaise with the Agenda Contact who will provide guidance and ensure that any necessary arrangements are in place. Those present at the meeting should be aware that they may be filmed or sound recorded.

The Council's Fire Bell and Evacuation Procedure requires people to leave the building in an orderly fashion by the nearest exit, should the fire alarm sound. No one will be allowed to stay or return until the building has been checked.

**Members are reminded that under the Members' Code of Conduct, they must register within 28 days any changes to their financial and other interests and notify the Monitoring Officer of any gift or hospitality received.**

## AGENDA

### A. PROCEDURAL ITEMS

#### 1. DISCLOSURES OF INTEREST

(Members Code of Conduct - Part 4A of the Constitution)

To receive disclosures of interests from members and co-opted members on matters to be considered at the meeting. The disclosure must include the nature of the interest.

An interest must also be disclosed in the meeting when it becomes apparent to the member during the meeting.

*Notes:*

- (1) *Members may remain in the meeting and take part fully in discussion and voting unless the interest is a disclosable pecuniary interest or an interest which the Member feels would call into question their compliance with the wider principles set out in the Code of Conduct. Disclosable pecuniary interests relate to the Member concerned or their spouse/partner.*
- (2) *Members in arrears of Council Tax by more than two months must not vote in decisions on, or which might affect, budget calculations, and must disclose at the meeting that this restriction applies to them. A failure to comply with these requirements is a criminal offence under section 106 of the Local Government Finance Act 1992.*
- (3) *Members are also welcome to disclose interests which are not disclosable pecuniary interests but which they consider should be made in the interest of clarity.*
- (4) *Officers must disclose interests in accordance with Council Standing Order 44.*

#### 2. MINUTES

**Recommended –**

**That the minutes of the budget meeting held on 20 February and the extraordinary meetings held on 8 September and 24 November 2020 be signed as a correct record.**

(Adrian Tumber – 07970 412150)

**3. APOLOGIES FOR ABSENCE**

**4. WRITTEN ANNOUNCEMENTS FROM THE LORD MAYOR  
(Standing Order 4)**

*(To be circulated before the meeting).*

**5. INSPECTION OF REPORTS AND BACKGROUND PAPERS**

(Access to Information Procedure Rules – Part 3B of the Constitution)

Reports and background papers for agenda items may be inspected by contacting the person shown after each agenda item. Certain reports and background papers may be restricted.

Any request to remove the restriction on a report or background paper should be made to the relevant Strategic Director or Assistant Director whose name is shown on the front page of the report.

If that request is refused, there is a right of appeal to this meeting.

Please contact the officer shown below in advance of the meeting if you wish to appeal.

(Adrian Tumber – 07970 412150)

**B. BUSINESS ITEMS**

**6. PETITIONS (Standing Order 11)**

To consider up to three requests for the Council to receive petitions in accordance with Standing Orders.

**Ward**

- |      |                                       |                               |
|------|---------------------------------------|-------------------------------|
| (i)  | Keighley's Carnegie Library           | <b><u>KeighleyCentral</u></b> |
| (ii) | Damage to village open space, Menston | <b><u>Wharfedale</u></b>      |

Please note that as the Keighley Carnegie Library petition has over 1500 signatures there will be a debate if it can be facilitated in the remote meeting.

(Tracey Sugden - 07970 411941)

**7. PUBLIC QUESTION TIME (Standing Order 13)**

There are no public questions.

(Tracey Sugden – 07970 411941)

**8. MEMBERSHIP OF COMMITTEES AND JOINT COMMITTEES  
(Standing Order 4)**

To consider any requests (i) to appoint members to a Committee or a Joint Committee; or (ii) to appoint Chairs or Deputy Chairs of Committees (excluding Area Committees).

**9. REPORT OF THE LEADER OF COUNCIL**

A written report by the Leader of Council giving an update on key issues has been circulated in advance of the meeting. There shall be a period of up to 15 minutes during which any Member of Council may ask the Leader of the Council (or a Member of the Council nominated by the Leader) a question on any matter arising out of the written report.

**10. MEMBER QUESTION TIME (Standing Order 12)**

To deal with supplementary questions to the Leader of Council and portfolio holders providing advance notice has been given by the Member asking the supplementary question by 1000am on Monday 7 December arising from the attached questions of which written notice has been given.

*Notes:*

- (i) Answers to written questions shall be circulated to Members on Friday 4 December.*
- (ii) A period of up to 30 minutes shall be available for supplementary questions to Members of the Executive.*

**1. Councillor Carol Thirkill**

The fire that raged in Bradford next to the railway line was enormous and caused considerable distress to residents and businesses nearby. Please can you tell us a history of the site and how this happened?

**2. Councillor Jackie Whiteley**

Given that The High Court judgement of June 2020 regarding building on Green Belt in Guiseley - ref Aireborough CO/3279/2019 ruled that Leeds City Council had acted illegally in allowing planning permission to build on Green Belt, can the Portfolio Holder for Regeneration, Planning and Transport, please advise of the implications this has for Green Belt Planning permissions in Bradford and clarify why this wasn't included in the Inspector's notes for the Sun Lane Enquiry given that the challenge was first heard in February 2020?

**3. Councillor Jeanette Sunderland**

How many Council owned, rented, or let premises are not fully accessible?

**4. Councillor Martin Love**

Can the Leader of Council tell us how many £10,000k Covid-19 business grants have the council paid to political associations or political parties, how many have been returned and which recipients have kept the grant?

**5. Councillor Richard Dunbar**

Would the Leader agree with me that Government freezing pay for teachers, early years workers, support staff, youth workers and other key workers is an insult considering the pivotal work they play and especially during this pandemic?

**6. Councillor Richard Dunbar**

Lockdown has provided victims of domestic abuse additional worrying challenges. How have we responded as a district during this crisis to best support victims and survivors?

**7. Councillor John Pennington**

Further to a deplorable, violent incident in City Park, when several youths were arrested approximately 20 months ago, could the Portfolio Holder for Neighbourhoods & Community Safety, update members on what action has been taken in relation to Council Warden Training etc, to improve responses to such incidents and can the Portfolio Holder inform members of whether he considers it conducive to improving public safety, that no prosecutions have yet taken place?

**8. Councillor Richard Dunbar**

The launch of the Bradford Music Network is very much welcomed. Can the Portfolio Holder explain how this will be developed and anticipated outcomes?

**9. Councillor Richard Dunbar**

Can we have an outline of how our children in care have been supported through this pandemic and are there gaps in support which need filling?

**10. Councillor Russell Brown**

Could the Portfolio Holder for Education, Employment and Skills, advise colleagues of; the reason for using paper based School Admission Appeals in the first instance, rather than telephone conferences during lockdown, whether this caused an unnecessary delay, the number of outstanding school admission appeals there are across the Bradford District, what action is Bradford Council taking to resolve any outstanding appeals and when will they be completed?

**11. Councillor Ralph Berry**

In the light of the welcome decision by the High Court that the Education Secretary acted unlawfully by failing to consult on the

extensive reduction of protections for vulnerable children, a move which the Council rightly declined to go along with, can the Leader and portfolio holder now add this council's voice to apply pressure for the full restoration of the statutory protections for vulnerable children in England and affirm that the pandemic is not reason to remove protection for children?

**12. Councillor Jeanette Sunderland**

There are 4795 people with impaired mobility living in unsuitable accommodation and residents require 9100 wheelchair adapted homes in the next five years. What plans does the Portfolio Holder have to ensure we meet the housing needs of these residents?

**13. Councillor Ralph Berry**

We all agree on the importance of regular school attendance for children's learning and achievement. However in these exceptional times I know of parents who are fearful of their children being in school because they or a family member they live with has a substantially increased risk from the virus, being classified as Clinically Extremely Vulnerable by Government because of a pre-existing health condition. Can the portfolio holder reassure me that schools are working constructively with families in this position who are concerned about school-based learning?

**14. Councillor Kyle Green**

Could the Leader of the Council confirm what policies are in place for Water Safety Management within the District and when these documents were created?

**15. Councillor Taj Salam**

I'm aware that we've been investing in active travel during the pandemic to support our climate emergency work and healthier lifestyles. Will the portfolio holder give an update on the cycling and walking schemes we have been putting in place?

**16. Councillor Nazam Azam**

One impact of the pandemic has been an increase in demand for children's social care services. Will the portfolio holder outline what actions we've taken to meet this demand and ensure high standards of provision?

**17. Councillor Dale Smith**

Could the Portfolio Holder for Education, Employment and Skills Portfolio confirm what contingency plans are in place to ensure that in any future lockdown, a more consistent educational provision will be provided to children across the district?

**18. Councillor David Warburton**

As a Group we are clear that investing in skills and jobs will be vital for the district coming out of Covid – can the portfolio holder tell me about our plans to support residents' skills?

**19. Councillor Rosie Watson**

I am proud that as a Labour led council we've invested in laptops and other support for children's home learning but we all remain concerned about the digital divide. What more are we doing to address this divide in Bradford?

**20. Councillor Jeanette Sunderland**

The Prime Minister has announced that he is to bring forward from 2040 to 2030 a ban on sales of petrol and diesel cars. What plans does the Portfolio Holder have to ensure that households without their own driveways, who will have to rely heavily on private car parks and charges in places such as supermarket car parks, will be able to access enough chargers or is he considering a plan to restrict the numbers of cars per household?

**21. Councillor Shakeela Lal**

Can the portfolio holder update us on what plans we have in place to continue our support for children facing holiday hunger?

**22. Councillor Debbie Davies**

Would the Regeneration, Planning and Transport Portfolio Holder, make available to the public, copies of (including dates) any maintenance inspections undertaken during the past 5 years, on Buck Lane footbridge and can he reassure us that in future it will be properly maintained, in order that it is only closed whilst repairs are carried out rather than as at present, being closed for months whilst no work is going on?

**23. Councillor Aneela Ahmed**

Can the Leader tell us what actions the council is taking to dispel harmful myths and conspiracy theories about Covid-19, which obstruct our efforts to stop the spread of the virus and save lives?

**24. Councillor Martin Love**

Can the Leader of Council tell us when were the Council first made aware of the huge tyre dump on the former go-kart site in East Bowling and what action was taken against the landowner and operator between then and the devastating fire? Also, is the Council aware of any other such sites in the district and if so, where?

**25. Councillor David Warburton**

Do we have an update on our campaign for a Bradford city centre stop on Northern Powerhouse Rail?

**26. Councillor Geoff Winnard**

Could the Leader of the Council confirm the overall cost of postage and the printing of the recent letter that was distributed to all households, about the nationally determined COVID-19 lockdown restrictions?

**27. Councillor Nazam Azam**

How are our plans for the new city centre market progressing in spite of the challenges of Covid-19?

**28. Councillor Vanda Greenwood**

Does the Leader join me in thanking volunteers and community centres across our district who have supported their vulnerable neighbours throughout lockdown and this public health crisis?

**29. Councillor Susan Knox**

To the Leader of Council. What additional action is being taken to address the backlog of 1,651 outstanding enforcement cases? Please give answers for each department of the Council concerned?

**30. Councillor Rizwana Jamil**

Does the Leader share my concern that the Spending Review shows the government continues to put the onus on the council taxpayer to meet funding shortfalls caused by a decade of cuts?

**31. Councillor Jackie Whiteley**

Further to the Government bringing forward its deadline to stop the sale of petrol and diesel cars, could the Portfolio Holder for Regeneration, Planning and Transport, commit to the acceleration of the provision of infrastructure for electric and hydrogen cars to encourage and facilitate the early switch to emission free transport by as many residents as possible?

**32. Councillor Angela Tait**

England's Chief Medical Officer suggested people should be very careful this Christmas even though restrictions are being relaxed. Will we be giving similar advice to our residents?

**33. Councillor Geoff Winnard**

Can the Leader of the Council, provide an update on the proposed Community Asset Transfer of Bingley Swimming Pool, including what outstanding issues need to be resolved?

**34. Councillor Alun Griffiths**

To the Leader of Council. What is the cost of the Council sending a mail shot to every household in the District?

**35. Councillor Debbie Davies**

Would the Regeneration, Planning and Transport Portfolio Holder, please confirm the number of streetlights out by Ward and the time it is taking to undertake a repair, further to a light out being reported?

**36. Councillor Brendan Stubbs**

To the Portfolio Holder, Over the previous 4 years many community groups across the district have benefited from a 'Community Building Grant' for the Council to assist with Business rates and the cost of running these buildings. Collectively these organisations offer a wide range of vital services for their local communities. They have put in an incredible effort in 2020 to support local communities in difficult circumstances and like many residents and businesses they now face an uncertain 2021 and beyond.

Can the portfolio holder confirm to community organisations that this grant will continue to be available in 2021-2022 and beyond? What steps are being taken to make sure that the process for applications is in place as soon as possible? Also, what additional help and support is the Council making available to all Community organisations to help them prepare for the coming year?

**37. Councillor Mike Ellis**

Could the Portfolio Holder for Education, Employment and Skills confirm what assessments Bradford Council has made of the impact on Educational Attainment across the Bradford District, of the school closures during the initial lockdown and what action is being taken to support some form of catch-up provision, for those particularly disadvantaged groups of children who are likely to have suffered most?

**11. RECOMMENDATIONS FROM THE EXECUTIVE AND COMMITTEES (Standing Order 15)**

**11.1 TREASURY MANAGEMENT STRATEGY 2020/21**

1 - 42

On 25 June 2020 the Director of Finance submitted **Document “AF1”** to the Governance and Audit Committee presenting the Council’s 2020-21 Treasury Management Strategy. The document links the budget decisions for 2020-21 set out in the Capital Strategy and Revenue Estimates.

**Recommended –**

**That the changes to the Treasury Management Strategy (Governance and Audit Committee Document “AF1”) be adopted.**

(David Willis – 01274 432361)

**11.2 ANNUAL TREASURY MANAGEMENT REPORT 2019/20**

43 - 60

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2019-20. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

On the 25 June 2020 the Director of Finance will presented to the Governance and Audit Committee **Document “AG”** which shows the Council’s Treasury Management activities for the year ending 31 March 2020.

**Recommended-**

**That the report and the changes to the Treasury Management Policy, detailed in paragraph 7 of Governance and Audit Committee Document “AG”, be adopted.**

(David Willis – 01274 432361)

**11.3 AMENDMENTS TO THE CONSTITUTION - CONTRACT STANDING ORDERS AND FINANCIAL REGULATIONS** 61 - 110

On 20 August 2020 the Governance and Audit Committee considered the report of the Strategic Director Corporate Resources (Document “C”) providing details of the annual review of the Financial Regulations and Contract Standing Orders sections of the Council’s Constitution and made recommendations for their amendment.

**Recommended –**

**That the proposed changes to Contract Standing Orders and Financial Regulations contained in Governance and Audit Document “C” be accepted to support improvements in the organisation’s financial and procurement processes and procedures.**

(Ian Westlake/Helen Keith – 07971 540171/01274 432730)

**11.4 TREASURY MANAGEMENT MID-YEAR REVIEW UP TO 30 SEPTEMBER 2020** 111 - 132

On 26 November 2020 the Governance and Audit Committee the report of the Director of Finance (**Document “N”**) presenting the Council’s Treasury Management Mid-Year Review up to 30 September 2020.

**Recommended-**

**That the report (Governance and Audit Committee Document “N”) be adopted.**

(David Willis – 01274 432361)

**11.5 THE COUNCIL PLAN 2021-2025** 133 - 186

The Council Plan is a key document that outlines the Council’s overall strategic objectives as a Local Authority over a four-year period and identifies our key priorities. A draft Council Plan was approved for consultation at Executive in October. This paper outlines the results of this consultation and is the first of several key strategic documents presented to this Executive Committee including the future financial strategy, the Equality Plan, the Procurement Strategy and the Council Workforce strategy.

The report of the Chief Executive (**Executive Document “CQ”**) provides a final version of the Council Plan and Key Performance Indicators (KPI’s) for approval (included as Appendices 1 and 2). This has been amended following an external consultation on the Council Plan, a summary of this consultation can be found in Appendix 3.

In accordance with the Council’s Constitution the Council Plan is a key

Council document and is recommended to Council for adoption.

**Recommended –**

**That the draft Council Plan set out in Appendix 1 to Executive Document “CQ” and draft KPIs and targets in Appendix 2 be adopted.**

(Philip Witcherley – 01274 431241)

**11.6 PROCUREMENT STRATEGY 2021-2025**

187 -  
206

The Procurement Strategy is a key document that outlines the Council's procurement vision and aims over the next four years.

The Procurement Strategy is an enabling strategy for the Council Plan within the priority area of an 'Enabling Council'.

The report of the Strategic Director Corporate Resources (**Executive Document “CP”**) provides a summary of the Council's Procurement Strategy 2021-2025 for Members to consider. The strategy is attached at Appendix 1.

**Recommended –**

**That the Procurement Strategy 2021-2025 (Executive Document “CP” be adopted.**

(Ian Westlake - 07971 540171)

**12. NOTICES OF MOTION (Standing Order 17)**

To consider the attached motions of which notice has been given.

**12.1 SUPPORT FOR ONE PERSON HOUSEHOLDS DURING THE CURRENT PANDEMIC**

To be moved by Councillor David Ward  
Seconded by Councillor Brendan Stubbs

This Council notes that the current pandemic has highlighted the problem of providing help and support for solitary people without family or any form of support network and who are therefore particularly vulnerable. The number of people living on their own went up by 16% to 7.7 million between 1997 and 2017, while the UK population went up only by 13%. By 2039, the number of one-person households is projected to rise to 10.7 million and whilst many of them will have families, a significant proportion of that number will not. An outcome of the pandemic is a realisation that people without a support network are particularly vulnerable and that no person or service appears to have responsibility for ensuring their safety and care.

The Council resolves to:

1. Work with groups and organisations such as Ageing Without

Children to quantify the scale of the problem faced by solitary people.

2. Create a point of contact where help and support can be accessed by and for solitary people without family
3. Work with the police, health services and the voluntary sector to establish clear areas of responsibility for those living alone without any form of family support.

## **12.2 COVID-19 AND THE WAY FORWARD**

To be moved by Councillor Rebecca Poulsen

Seconded by Councillor Mike Pollard

Council notes:

- Covid19 has impacted on many residents and businesses across the District and continues to devastate families who have lost loved ones. Many people have made huge sacrifices.
- There has been an unprecedented challenge to the Government & Local Authorities, posed by the Covid 19 pandemic
- Government has worked with the local authority to financially support areas such as local test and trace, PPE and loss of council income during the pandemic.
- the government continues to assist the District through and beyond the pandemic, including additional funding for schools, safer streets and investment in infrastructure and retraining in industries of the future, to create jobs and grow the economy
- the continuation of the furlough scheme until the end of March 2021
- The recently announced pay rise to the lowest paid council staff is welcomed at a time that many people across the district are losing their jobs and facing pay cuts.

Council resolves:

- To thank key workers and those who have worked so tirelessly throughout the pandemic
- Ensure Government Business Support Grants are passed onto businesses who need them as soon as possible
- to complement essential reactive responses to Covid 19, with an increased focus on proactive, post Covid 19 restrictions strategies, to minimise the ongoing detrimental effects of the

infection on local people and the local economy.

- To look at practical steps the council can take such as rents the council charges to tenants and parking charges being cut to support local businesses.
- to work cross party on the council and with WYCA, the LEP, schools, colleges, university, employers and other key partners to ensure we support people locally with the skills and support they need to gain valuable employment
- to promote the need for partnership working to minimise the ongoing damages caused by the pandemic.
- To ensure local ward councillors are involved in covid19 decision making in their ward

### **12.3 COVID-19: THE DISTRICT'S RESPONSE AND RECOVERY**

To be moved by Councillor Susan Hinchcliffe

Seconded by Councillor Imran Khan

First and foremost we offer our sincere condolences to all families in the district, the country and across the world, who have lost loved ones to Covid-19. Every single loss is a tragedy.

Faced with such a challenge we give a big heartfelt thank you to the people of the district, the volunteers, council staff, school staff, health service and all our partners for the incredible work you have done during this difficult time. It has been a real community effort by the whole district. Your fortitude has been amazing and humbling; it will see us through the pandemic to a potential vaccine, recovery and return to a more normal way of life once again. For now, West Yorkshire is in Tier 3 along with South Yorkshire and the Humber, we must do everything we can to continue this effort and get the infection rate down.

There have been countless examples of ingenuity, brilliance and self-sacrifice, showcasing the very best of our district. Refuse collectors receiving gifts and children's drawings from residents grateful that their bin collections have continued uninterrupted; volunteers in Ilkley sewing personal protective equipment; school children making visors; school staff providing meals and home learning as well as school-based education through lockdown and beyond; community centres getting food to our most vulnerable residents; our Stronger Communities team helping people visit the graves of loved ones safely; Covid ambassadors and wardens out reassuring their neighbourhoods and supporting test, trace and isolate; our social workers continuing with visits and substantive checks amid growing demands, as we took the decision not to apply the emergency statutory instrument which would have allowed us to reduce checks and visits on our children; finance staff working all hours to get grants out to businesses; staff

from areas such as leisure services and school transport redeployed to do incredible work in our bereavement services. Just a few examples of the incredible team effort.

As a council communication has been vital. We have worked to keep our communities, councillors and staff well informed throughout.

Our ongoing communications with the public has included: letters to every household in the district; regular Stay Connected newsletters to 30,914 subscribers to Covid bulletins and 7,198 subscribers to our coronavirus business support emails; almost 3.4 million views of our Covid webpages; and huge engagement with our social media and customer services.

At the time of writing, the latest weekly update on 11<sup>th</sup> November showed that our hub had spoken to 10,024 people and visited 591 businesses in that week, we gave out 17,630 masks, Environmental Health received 225 complaints or requests for advice and took action on a further 159 reactive cases. Staff and volunteers continue to adapt and respond to the ever changing situation.

- 24<sup>th</sup> March – ‘The Council’s on-going emergency response to Covid-19’
- 30<sup>th</sup> April – ‘The response to Covid-19 and the forecast financial impact’
- 9<sup>th</sup> June – ‘Building a Better Future: living with Covid-19 and laying the foundations for a better future’
- 7<sup>th</sup> July – ‘Finance Position Statement for 2020/21, including investments to respond to Covid-19’
- 8<sup>th</sup> September – ‘Local Test & Trace expansion’
- 9<sup>th</sup> November – ‘Covid-19: response, resilience, recovery’

We resolve to:

- Continue to offer every possible support to those who are poorly, recovering from the after-effects, self-isolating or shielding;
- Build on the success of our local test, trace and isolate initiative to complement the national system;
- Continue to support all our communities with clear information, reassurance and practical help, including for their physical and mental health;
- Support our business community and the jobs they sustain as

much as we can so that they can survive these difficult times.

- Invest to support the strongest possible recovery from Covid-19 for our residents and businesses.

We call on the government to:

- Fund and support local test and trace for all local authorities, given it's been a success for us
- Invest now in planning with local authorities for vaccination roll-out, which is likely to be essential in getting our lives back on track
- Invest more in self-isolation grants, as too few people in Bradford district can afford to be without pay for a fortnight.
- Think about economic recovery now and work in partnership with us. We have a West Yorkshire Economic Recovery Plan and the Bradford Economic Recovery Plan will be coming for consideration at Executive in December. We need the funding from Government to deliver this.
- Provide more financial support for businesses in areas in the North, like Bradford district, where businesses have been hard hit by long term restrictions, particularly the leisure and hospitality supply chain who have received nothing and the 3 million self employed workers, "The Forgotten", who have fallen through the cracks.
- Address health inequalities – those who are disadvantaged have suffered the most
- Provide a proper three-year funding settlement for local government to tackle the costs of COVID as well as the impact it has had across the services of the council.
- Commit to a decent pay increase for those key workers – such as those council workers, police, fire and teachers who have given their all over the last year to keep residents safe and the country functioning.
- Take people with you - be open, honest and transparent and then the people will have trust and faith in the journey we are all travelling on.

### 13. **APPOINTMENT OF THE HONORARY RECORDER**

The purpose of the report of the City Solicitor (**Document "A"**) is to

formally invite the Council to approve the appointment of His Honour Judge Richard Mansell QC as Honorary Recorder of Bradford following the retirement of His Honour Judge Jonathan Durham Hall QC.

**Recommended –**

- (1) To formally approve the appointment of His Honour Judge Richard Mansell QC as Honorary Recorder of Bradford during his tenure as Resident Judge at Bradford Combined Court Centre, in accordance with the Courts Act 1971.**
- (2) To request that the City Solicitor, in consultation with the Lord Mayor make appropriate arrangements to mark his appointment when circumstances permit.**

(Parveen Akhtar – 01274 432496)



# **Report of the Director of Finance to the meeting of the Governance and Audit Committee to be held on 25 June 2020**

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**AF1**

**Subject:**

**Treasury Management Strategy 2020-21**

**Summary statement:**

**This report shows the Council's 2020-21 Treasury Strategy**

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Chris Chapman  
Director of Finance

Report Contact: David Willis  
Treasury Management Officer

**Portfolio:**

**Corporate Services**

**Overview & Scrutiny Area:**

**Corporate Services**

# 1.INTRODUCTION

## 1.1 Background

This report presents the Council's 2020-21 Treasury Management Strategy. It links to the budgets decisions for 2020-21 set out in the Capital Strategy and Revenue Estimates.

The most important linkage is with the Capital Budget; which in part is funded with borrowing: managing this borrowing is a key part of the Treasury Management Strategy. A balanced Revenue Budget is set but uneven cash flows during the course of the year also have to be managed.

Further, the report is the first of three reports in the year, to plan and manage risks related to the Treasury Management function. The other 2 reports will be:

- (i) **A mid-year treasury management report** – a progress report, which also updates any projections for actual financial results to date.
- (ii) **An annual treasury report** – This reviews the actual final financial results and compares them with the estimates in this strategy.

All the above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Governance and Audit Committee.

## 1.2 Overview

The Council's 2020-21 Treasury Management Strategy covers:

- Definition of Treasury Management, Training, Consultants
- Treasury Management Regulation
- Prudential Indicators
- Prospect for Interest Rates
- Borrowing Strategy
- Policy on borrowing in advance of need
- Debt rescheduling
- Treasury Investments
- Options, Finance & Resources, Risks

## 1.3 Definition of Treasury Management

Treasury Management is about managing the activities of: cash flows, banking, borrowing, money market transactions and investments. This last activity includes investments in securities (called Treasury Investments) as well as property investments which are made for financial return (non-Treasury Investments).

The most important part of Treasury Management is controlling the risks that arise from the above activities.

#### **1.4 Training**

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

The requirement for training also applies to the members responsible for scrutiny. Training has been undertaken by members on the 14<sup>th</sup> March 2019. Further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed.

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

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

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

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

#### **1.6 Treasury Management Regulation**

Because of the need to manage risks, there is significant regulation on Treasury Management activities within Local Government.

The 2003 Local Government Act requires Full Council to approve the Treasury Strategy and authorise the borrowing to fund the Capital Budget.

To help the Council consider an appropriate level of borrowing and risk, the Chartered Institute of Public Finance Accountancy (CIPFA), recommends the use of a set of quantitative measures.

These quantitative measures are called Prudential Indicators. They are discussed in more detail below.

CIPFA also recommends that the security of any investment is always prioritised. When making an investment decision, the considerations should be, in order of importance, security, liquidity and yield.

## 2 PRUDENTIAL INDICATORS

### 2.1 Purpose

The purpose of including many of the Prudential Indicators within the Treasury Management Strategy is to assess future risk from the Council's activities. The Treasury Management Strategy then plans for these risks.

The Prudential Indicators used are described below:

- **The Capital Financing Requirement (CFR)** – this is the total amount of debt incurred by the Council to fund capital expenditure.
- **External loans** – this shows a reconciliation between the CFR and the Council's external loans.
- **Capital Spend funded by borrowing** – this measures the underlying increase in the need to borrow for a capital purpose, which increases the Capital Financing Requirement.
- **New Loans** – new loans that the Council is expected to take out, including adjustments for the refinancing of existing debt.
- **Authorised and Operational Limit** – the Authorised limit is the total amount of borrowing that the Section 151 Officer is authorised to undertake. The Operational Limit is the total amount of borrowing the Treasury Management Officer is authorised to undertake.

These prudential indicators are presented in more detail below and also shown in Appendix 1.

### 2.2 The Capital Financing Requirement

The current actual Prudential Indicator for the Capital Financing Requirement can be identified from the Council's 2019-20 Statement of Accounts. This is shown in the Table 1 below:

**Table 1: Bradford's Actual Capital Financing Requirement (CFR)**

| <b>*Balance Sheet</b>                | <b>31/03/2018</b> | <b>31/03/2019</b> |
|--------------------------------------|-------------------|-------------------|
|                                      | <b>Actual</b>     | <b>Actual</b>     |
|                                      | <b>£</b>          | <b>£</b>          |
| Land, Buildings, Vehicles held       | 1,045             | 1,055             |
| Offsetting Technical Reserves        | -376              | -355              |
| <b>Capital Financing Requirement</b> | <b>669</b>        | <b>700</b>        |
| <i>*Source: 2018-19 Accounts</i>     |                   |                   |

Table 1 shows the Council had a CFR at 31 March 2019 of £700m.

A projection for the CFR has also been calculated for future years, in Table 2a below. This projection involves accounting for the increase in new borrowing due to the Capital Investment Programme. This increase is then offset by the amounts set aside to repay debt (called technically the Minimum Revenue Provision).

This projected increase in new borrowing is based on the Capital Investment Plan 2020-21 to 2023-24 (Full Council 20 February 2020).

Overall, assuming that the Capital Budget is delivered in full, the CFR is projected to reach a peak of £916m in 2023-2024.

**Table 2a Actual and Estimated CFR**

|                                                                             | <b>31/03/19<br/>Actual<br/>£m</b> | <b>31/03/20<br/>Estimate<br/>£m</b> | <b>31/03/21<br/>Estimate<br/>£m</b> | <b>31/03/22<br/>Estimate<br/>£m</b> | <b>31/03/23<br/>Estimate<br/>£m</b> | <b>31/03/24<br/>Estimate<br/>£m</b> |
|-----------------------------------------------------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>Opening<br/>Capital<br/>Financing<br/>Requirement</b>                    | <b>669</b>                        | <b>700</b>                          | <b>731</b>                          | <b>802</b>                          | <b>867</b>                          | <b>914</b>                          |
| Increase in<br>borrowing<br>Less MRP<br>and other<br>financing<br>movements | 32<br>-1                          | 51<br>-20                           | 96<br>-25                           | 93<br>-28                           | 78<br>-31                           | 36<br>-34                           |
| <b>Closing<br/>Capital<br/>Financing<br/>Requirement</b>                    | <b>700</b>                        | <b>731</b>                          | <b>802</b>                          | <b>867</b>                          | <b>914</b>                          | <b>916</b>                          |

### 2.3 External Loans

The Council's actual external loans are less than its CFR for the following reasons:

- Some items of past capital expenditure were funded with finance leases, (called the Private Finance Initiative - PFI). In broad terms, these are similar to Hire Purchase Contracts: rather than an actual loan, the liability is funded by a contract to make periodic payments to a third party.
- The Council has also reduced its external loans by borrowing internally against its own earmarked reserves (External loans costs are higher than the income the Council receives from investing its earmarked reserves).
- The amount of external loans is also influenced by the Council's investments and working capital.

This is shown in Table 2b below:

**Table 2b Actual and Estimated External Loans**

|                                              | <b>31/03/19<br/>Actual<br/>£m</b> | <b>31/03/20<br/>Estimate<br/>£m</b> | <b>31/03/21<br/>Estimate<br/>£m</b> | <b>31/03/22<br/>Estimate<br/>£m</b> | <b>31/03/23<br/>Estimate<br/>£m</b> | <b>31/03/24<br/>Estimate<br/>£m</b> |
|----------------------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>Opening Capital Financing Requirement</b> | <b>669</b>                        | <b>700</b>                          | <b>732</b>                          | <b>803</b>                          | <b>868</b>                          | <b>916</b>                          |
| Private Finance Initiative                   | -178                              | -174                                | -169                                | -165                                | -161                                | -156                                |
| *Earmarked Reserves                          | -202                              | -256                                | -256                                | -256                                | -256                                | -256                                |
| Investments                                  | 35                                | 53                                  | 10                                  | 10                                  | 10                                  | 10                                  |
| Working Capital                              | 2                                 | -9                                  | -9                                  | -9                                  | -9                                  | -9                                  |
| <b>(ii) Opening External Debt 1 April</b>    | <b>326</b>                        | <b>314</b>                          | <b>308</b>                          | <b>383</b>                          | <b>452</b>                          | <b>505</b>                          |
| <i>Under borrowing</i>                       | <i>343</i>                        | <i>386</i>                          | <i>424</i>                          | <i>420</i>                          | <i>416</i>                          | <i>411</i>                          |

\*(Earmarked Reserves include schools delegated balances)

## 2.4 Capital Spend funded by borrowing

The Capital Budget has been analysed to show separately the amount that is funded from borrowing. This analysis is shown in Table 2c below:

**Table 2c: Capital Spend Funded from Borrowing**

|                                            | <b>31/03/19<br/>Actual<br/>£m</b> | <b>31/03/20<br/>Estimate<br/>£m</b> | <b>31/03/21<br/>Estimate<br/>£m</b> | <b>31/03/22<br/>Estimate<br/>£m</b> | <b>31/03/23<br/>Estimate<br/>£m</b> | <b>31/03/24<br/>Estimate<br/>£m</b> |
|--------------------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Total Capital Spend                        | 84                                | 121                                 | 209                                 | 205                                 | 190                                 | 42                                  |
| Capital Spend not funded from borrowing    | 53                                | 70                                  | 113                                 | 112                                 | 112                                 | 6                                   |
| <b>Capital spend funded from borrowing</b> | <b>31</b>                         | <b>51</b>                           | <b>96</b>                           | <b>93</b>                           | <b>78</b>                           | <b>36</b>                           |

## 2.5 New Loans

A projection of new loans is shown in Table 2d below. This projection shows that the capital spend funded from borrowing (see Table 2c above) generates a need to take out new loans – after adjusting for the refinancing of past

borrowing and other balance sheet changes.

**Table 2d: Projected New Borrowing**

|                                          | 31/03/20<br>Estimate<br>£m | 31/03/21<br>Estimate<br>£m | 31/03/22<br>Estimate<br>£m | 31/03/23<br>Estimate<br>£m | 31/03/24<br>Estimate<br>£m |
|------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Borrowing requirement for capital budget | 51                         | 96                         | 93                         | 78                         | 36                         |
| Maturing loans                           | 17                         | 2                          | 6                          | 16                         | 6                          |
| Investment/working capital changes       | 7                          | -43                        | 0                          | 0                          | 0                          |
| MRP (excluding PFI)                      | -15                        | -21                        | -23                        | -26                        | -30                        |
| <b>External Loan requirement</b>         | <b>60</b>                  | <b>34</b>                  | <b>76</b>                  | <b>68</b>                  | <b>12</b>                  |

## 2.6 Operational and Authorised Limit

Based on the above Indicators, it is also proposed to set a Prudential Indicator within the Treasury Strategy limiting the Council's total debt for a capital purpose.

It has been decided to set this Prudential Indicator based on the projected CFR: which itself is estimated on the basis that the 2020-21 Capital Strategy is fully delivered. The limits are set as follows:

- The Operational Limit in any year is based on the projected closing CFR (Table 2a).
- The Authorised Limit in any year is based on the Operational Limit plus an additional £10m of headroom.

The Operational and Authorised Limit provide some flexibility should there be an additional draw on earmarked reserves. Holding these reserves currently reduces the amount of external borrowing required (see Table 2b above).

Reasons for an additional draw on earmarked reserves could be a severe economic downturn or an unfavourable funding settlement.

The Operational and Authorised Limits are shown in Table 2e below:

**Table 2e: Operational and Authorised Limit**

### Operational Limit for external Debt

|                | 2018-19<br>£m | 2019-20<br>£m | 2020-21<br>Proposed<br>£m | 2021-22<br>Proposed<br>£m | 2022-23<br>Proposed<br>£m | 2023-24<br>Proposed<br>£m |
|----------------|---------------|---------------|---------------------------|---------------------------|---------------------------|---------------------------|
| External Loans | 400           | 410           | 540                       | 605                       | 655                       | 655                       |

|                             |     |     |     |     |     |     |
|-----------------------------|-----|-----|-----|-----|-----|-----|
| Other Long term liabilities | 200 | 180 | 180 | 180 | 180 | 180 |
|-----------------------------|-----|-----|-----|-----|-----|-----|

### Authorised Limit for external Debt

|                             | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|-----------------------------|---------|---------|---------|---------|---------|---------|
|                             | £m      | £m      | £m      | £m      | £m      | £m      |
| External Loans              | 420     | 430     | 550     | 615     | 665     | 665     |
| Other Long term liabilities | 220     | 200     | 180     | 180     | 180     | 180     |

## 2.7 Current portfolio position

The overall treasury management portfolio as at 31 March 2019 and for the position as at 31.1.20 are shown below for both borrowing and investments:

| INVESTMENT PORTFOLIO                    | Actual 31.3.19<br>£m | Actual 31.3.19<br>% | Actual 31.1.20<br>£m | Actual 31.1.20<br>% |
|-----------------------------------------|----------------------|---------------------|----------------------|---------------------|
| <b>Treasury investments</b>             |                      |                     |                      |                     |
| Banks                                   | 29.4                 | 52                  | 33.5                 | 56                  |
| Building Societies - rated              | 5.0                  | 9                   | 3.0                  | 5                   |
| Money Market Funds                      | 22.5                 | 39                  | 23.4                 | 39                  |
| <b>Total managed in house</b>           | <b>56.9</b>          | <b>100</b>          | <b>59.9</b>          | <b>100</b>          |
| Treasury external borrowing             |                      |                     |                      |                     |
| PWLB                                    | 275.1                | 88                  | 311.1                | 90                  |
| LOBO's                                  | 36.2                 | 12                  | 36.2                 | 10                  |
| Total borrowing                         | 311.3                | 100                 | 347.3                | 100                 |
| <b>Total borrowing less investments</b> | <b>254.4</b>         |                     | <b>287.4</b>         |                     |

## 2.8 Minimum Revenue Policy (MRP) Strategy

The MRP policy for 2020-21 is shown in Appendix 2.

The policy aligns the profile of the expected service benefit from using the Council's assets. Changes in 2020-21, compared to the current 2019-20 year are:

- The Section 151 Officer is given delegated powers to pay back borrowing on an annuity, rather than equal life basis, for investment purchased during or after 2018-19. This would only be if two conditions

are met: the asset retains and/or increases its value; and a reasonable return on the capital sum invested returned (Appendix 2, 1.3 (e)).

- The MRP on loans to third parties can be staged in order to match with the loan repayments, providing certain conditions are met: the capital scheme is self-financing; that there is overall confidence that the loan will be repaid; that the third party maintains its adherence to the agreed repayment schedule. Appendix 2, 1.7).

The overall strategy of the MRP Strategy is to match debt repayment costs in the Revenue Estimates, with the service benefit from the related asset purchase.

### 3 PROSPECTS FOR INTEREST RATES

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives Link's central view.

| Link Asset Services Interest Rate View |        |        |        |        |        |        |        |        |        |        |        |        |        |
|----------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                                        | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 |
| <b>Bank Rate View</b>                  | 0.75   | 0.75   | 0.75   | 0.75   | 0.75   | 1.00   | 1.00   | 1.00   | 1.00   | 1.25   | 1.25   | 1.25   | 1.25   |
| 3 Month LIBID                          | 0.70   | 0.70   | 0.80   | 0.80   | 0.90   | 1.00   | 1.00   | 1.10   | 1.20   | 1.30   | 1.30   | 1.30   | 1.30   |
| 6 Month LIBID                          | 0.80   | 0.80   | 0.90   | 1.00   | 1.00   | 1.10   | 1.20   | 1.30   | 1.40   | 1.50   | 1.50   | 1.50   | 1.50   |
| 12 Month LIBID                         | 0.90   | 0.90   | 1.00   | 1.10   | 1.20   | 1.30   | 1.40   | 1.50   | 1.60   | 1.70   | 1.70   | 1.70   | 1.70   |
| 5yr PWLB Rate                          | 2.30   | 2.30   | 2.40   | 2.40   | 2.50   | 2.60   | 2.70   | 2.80   | 2.90   | 2.90   | 3.00   | 3.00   | 3.10   |
| 10yr PWLB Rate                         | 2.50   | 2.50   | 2.60   | 2.60   | 2.70   | 2.80   | 2.90   | 3.00   | 3.10   | 3.10   | 3.20   | 3.20   | 3.30   |
| 25yr PWLB Rate                         | 3.00   | 3.00   | 3.10   | 3.20   | 3.30   | 3.40   | 3.50   | 3.60   | 3.70   | 3.80   | 3.80   | 3.90   | 3.90   |
| 50yr PWLB Rate                         | 2.90   | 2.90   | 3.00   | 3.10   | 3.20   | 3.30   | 3.40   | 3.50   | 3.60   | 3.70   | 3.70   | 3.80   | 3.80   |
| <b>Bank Rate</b>                       |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Link Asset Services                    | 0.75%  | 0.75%  | 0.75%  | 0.75%  | 0.75%  | 1.00%  | 1.00%  | 1.00%  | 1.00%  | 1.25%  | 1.25%  | 1.25%  | 1.25%  |
| Capital Economics                      | 0.75%  | 0.75%  | 0.75%  | 0.75%  | 0.75%  | 1.00%  | 1.00%  | 1.00%  | -      | -      | -      | -      | -      |
| <b>5yr PWLB Rate</b>                   |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Link Asset Services                    | 2.30%  | 2.30%  | 2.40%  | 2.40%  | 2.50%  | 2.60%  | 2.70%  | 2.80%  | 2.90%  | 2.90%  | 3.00%  | 3.00%  | 3.10%  |
| Capital Economics                      | 2.40%  | 2.50%  | 2.50%  | 2.60%  | 2.60%  | 2.80%  | 2.80%  | 2.90%  | -      | -      | -      | -      | -      |
| <b>10yr PWLB Rate</b>                  |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Link Asset Services                    | 2.50%  | 2.50%  | 2.60%  | 2.60%  | 2.70%  | 2.80%  | 2.90%  | 3.00%  | 3.10%  | 3.10%  | 3.20%  | 3.20%  | 3.30%  |
| Capital Economics                      | 2.70%  | 2.70%  | 2.80%  | 2.80%  | 2.90%  | 3.00%  | 3.00%  | 3.10%  | -      | -      | -      | -      | -      |
| <b>25yr PWLB Rate</b>                  |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Link Asset Services                    | 3.00%  | 3.00%  | 3.10%  | 3.20%  | 3.30%  | 3.40%  | 3.50%  | 3.60%  | 3.70%  | 3.80%  | 3.80%  | 3.90%  | 3.90%  |
| Capital Economics                      | 3.10%  | 3.10%  | 3.20%  | 3.20%  | 3.20%  | 3.30%  | 3.30%  | 3.40%  | -      | -      | -      | -      | -      |
| <b>50yr PWLB Rate</b>                  |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Link Asset Services                    | 2.90%  | 2.90%  | 3.00%  | 3.10%  | 3.20%  | 3.30%  | 3.40%  | 3.50%  | 3.60%  | 3.70%  | 3.70%  | 3.80%  | 3.80%  |
| Capital Economics                      | 3.10%  | 3.10%  | 3.20%  | 3.20%  | 3.30%  | 3.40%  | 3.40%  | 3.50%  | -      | -      | -      | -      | -      |

The above forecasts have been based on an assumption that there is an agreed deal on Brexit, including agreement on the terms of trade between the UK and EU, at some point in time. The result of the general election has removed much uncertainty around this major assumption. However, it does not remove uncertainty around whether agreement can be reached with the EU on a trade deal within the short time to December 2020, as the prime minister has pledged.

2019 was a year of weak UK economic growth as political and Brexit uncertainty depressed confidence. It was therefore little surprise that the Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% during the year. However, during January 2020, financial markets were predicting a 50:50 chance of a cut in Bank Rate at the time of the 30 January MPC meeting. Admittedly, there had been plenty of downbeat UK economic news in December and January which showed that all the political uncertainty leading up to the general election, together with uncertainty over where Brexit would be going after that election, had depressed economic growth in quarter 4 of 2019. However, that downbeat news was backward looking; economic statistics during January and February, prior to the coronavirus outbreak, pointed in the direction of a robust bounce in economic activity and a recovery of confidence after the decisive result of the general election removed political and Brexit uncertainty. The January MPC meeting clearly decided to focus on the more recent forward-looking news, rather than the earlier downbeat news, and so left Bank Rate unchanged.

**Coronavirus.** The Coronavirus outbreak caused major disruption to the economy of China in quarter 1 of 2020; it looks likely that the economy will have contracted by about 20% during the quarter and recovery looks like being slow. The outbreak is now beginning to do the same in the UK, Europe and the US with whole sections of the economy likely to close down as a result of policies of social isolation. This poses a major risk to employment, people earning incomes, and businesses going bust with insufficient cash flow to keep them going.

In March, the Bank of England has cut Bank Rate twice, first from 0.75% to 0.25% and then on 19 March, to 0.1%. It has also restarted quantitative easing with an increase of £200bn of purchases and introduced a series of measures to support bank lending and financing for small and medium enterprises. The Budget, on the same day as the first cut in Bank Rate, similarly included a raft of measures to stimulate economic growth and to support the cash flows of businesses.

While governments are beginning to put in place major support measures to try to stop businesses going bust and support workers who lose their incomes, it remains to be seen how effective these will prove both in terms of quantity of support and the practical speed of implementation. In addition, there is a major question mark over how the self-employed will manage, a key issue when the gig economy has taken off in the UK over the last ten years or so. Investor fears have resulted in a number of days of major crashes in share values during March. Whereas government bonds are normally the safe haven that investors move into, the size of government support programmes to be financed by additional borrowing, and fund managers being forced into selling holdings of their most liquid assets, i.e. government bonds, in order to meet investor demands for immediate cash, have caused bond yields to start rising from previously unheard of lows. All that can be said in summary at the time of writing (20.3.20) is that we are in uncharted waters and no one knows where this will all end. The only thing that is clear is that UK economic growth

could well contract by something like 15% in quarter 2 and that recovery after then is unlikely to be sharp due to the extent of economic damage that is likely to have been done. One major risk is that a sharp economic downturn morphs into a financial crash; but that is why western governments are mounting major support programmes to avert that happening.

### **Bond yields / PWLB rates.**

Once the coronavirus outbreak ends and the economy gets back to some sort of normality, then it would be expected that the overall longer run future trend would be for gilt yields, and consequently PWLB rates, to rise, albeit gently.

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. Such volatility could occur at any time during the forecast period.

### **Investment and borrowing rates**

- **Investment returns** are likely to remain exceptionally low during 2020/21 with little increase in the following two years.
- **Borrowing interest rates** were on a major falling trend during the first half of 2019-20 but then jumped up by 100 bps on 9.10.19. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. However, the unexpected increase of 100 bps in PWLB rates on top of the then current margin over gilt yields of 80 bps, 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 amending the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure. *(Please note that Link Asset Services 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 still gilt plus 200 basis points (G+200bps)

PWLB Certainty Rate is still gilt plus 180 basis points (G+180bps)

PWLB HRA Standard Rate is now gilt plus 100 basis points (G+100bps)

PWLB HRA Certainty Rate is now gilt plus 80bps (G+80bps)

Local Infrastructure Rate is still gilt plus 60bps (G+60bps)

- The Council will exercise caution in borrowing any new long-term General Fund borrowing until new borrowing rates and regulations have

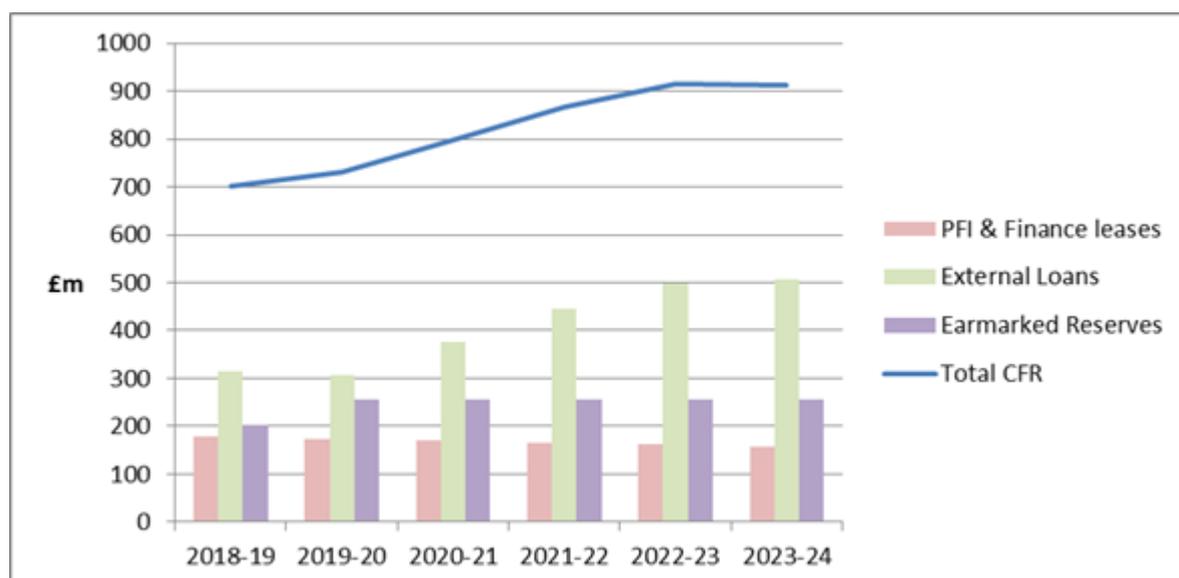
been finalised , but may have to borrow some money short if the short term money market dries up.

## 4 BORROWING STRATEGY

To date, during the 2019-20 financial year, the Council has undertaken £41m of new borrowing at an average rate of 1.78%. This was both to fund capital schemes and to refinance previous loans of £17.1m The previous loans paid an average interest rate of 6.19%. This reduced the overall borrowing rate for all the Council debt from 5.36% to 4.89% a reduction of 0.47%.

The future context is that the Prudential Indicators show a requirement for further borrowing between 2020-21 and 2023-24. Assuming the latest Capital Investment Plan is delivered in full, there is a borrowing requirement of £190m between 2020-21 and 2023-24 (see Table 2d Projected New Borrowing).

Graph 1 below also shows how external loans are projected to increase alongside the Capital Financing Requirement and its main elements.



The context is that the Council had an under-borrowed position of £343m at 31 March 2019, which is projected to continue in the future (see Table 2b - Actual and Estimated External Loans - & Graph 1 above). An under-borrowed position means that the capital borrowing need (the Capital Financing Requirement), is above the level of the Council's actual external loans. The Council's cash held in reserves, balances and working capital bridge the difference between the borrowing need and the external loans.

An under-borrowing strategy can be prudent. Investment returns are low and counterparty risk is avoided. However, in the event that one-off earmarked reserves are used up, these would have to be replaced with external loans.

Considering the context set out above, alongside the prospects for interest rates, key points to consider are:

- The proposed 2020-21 Capital Investment Plan has a direct impact on the amount of borrowing required.
- The Prudential Indicators assume that the Capital Investment Plan is delivered in full. Slippage will reduce the borrowing requirement.
- The borrowing and the interest charges have to be funded within the Revenue Estimates.
- Given the size of the borrowing, interest rates will have a significant impact on cost pressures in the Revenue Estimates.
- Following the decision of the PWLB to set interest rates at an increased margin over gilts, alternative lenders have entered the market. These alternative lenders are also developing options to borrow at current interest rates at a point in time in the future (known as future borrowing). This future borrowing option could be carried out against a portion of the overall quantum of new borrowing.
- The projected future costs in the Revenue Estimates for borrowing include an assumption of gradually rising interest rates. By locking in a portion of borrowing, the Council could increase certainty and improve the outlook in the Medium Term Financial Strategy (although if interest rates reduce in practice, the Council would lose the financial benefit of this).

Overall therefore future actions are:

- Against the background and the risks within the economic forecast, caution will be adopted with the 2020/21 treasury operations. The S151 officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.
- The Council will closely monitor slippage on capital schemes, revised spending estimates and projections of future borrowing.
- Project the Council's future requirement for external loans as accurately as possible.
- According to the latest estimates of spend, the Council will examine different borrowing options, including forward borrowing.

## 5 POLICY ON BORROWING IN ADVANCE OF NEED

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

## 6 DEBT RESCHEDULING

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as the 100 bps increase in PWLB rates only applied to new borrowing rates and not to premature debt repayment rates.

If rescheduling was done, it will be reported to the Governance and Audit Committee at the earliest meeting following its action.

### a. New financial institutions as a source of borrowing

- Following the decision by the PWLB on 9 October 2019 to increase their margin over gilt yields by 100 bps to 180 basis points on loans lent to local authorities, consideration will also need to be given to sourcing funding at cheaper rates. A schedule is attached to the strategy (see Appendix 5.3, showing a list of approved bodies that it is proposed the Council can borrow from.
- The Council could also consider fixing a proportion of future borrowing at current interest rates. In order to fix this future borrowing, the Authority needs to be confident in its projections of future borrowing; this means accurate capital monitoring. Therefore, it is proposed that the Section 151 officer reviews risks around fixing a proportion of future borrowing.
- Options proposed within the Treasury Strategy for the Section 151 Officer to consider are:
  - Local authorities (primarily shorter dated maturities)
  - Financial institutions (primarily insurance companies and pension funds but also some banks, out of spot or forward dates)
  - Municipal Bonds Agency

The degree which any of these options proves cheaper than PWLB Certainty Rate is still evolving at the time of writing.

## b. Change to Treasury Management Policies

1) Following the changes to the PWLB rate mentioned in paragraph 6 it is recommended to add the following options of sources of finance to the Treasury Management Policies.

- i) Pension Funds
- ii Insurance companies
- iii) Banks

## 7 TREASURY INVESTMENTS

### 7.1 Investment policy – management of risk

The Council's 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 investment priorities will be security first, portfolio liquidity second and then yield, (return).

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

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration, the Council will engage with its advisors to maintain a monitor on market pricing such as "**credit default swaps**" and overlay that information on top of the credit ratings.
3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in

order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. .
  - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
  - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity i.e. an 18 month deposit would still be non-specified even if it has only 11 months left until maturity.
5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 20% at time of investment of the total investment portfolio, (see paragraph 7.3).
6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 7.2.
7. **Transaction limits** are set for each type of investment in 7.2.
8. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 7.4).
9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 7.3).
10. This authority has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
11. All investments will be denominated in **sterling**.
12. As a result of the change in accounting standards for 2019/20 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a

statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18

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

## **7.2 Creditworthiness policy**

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- 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 Director of Finance 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. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

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

| Institution                                                                        | Amount    | Time limit | To qualify as a "specified" investment | Non UK Country | Short-term Investment                                        | Long Term Investment                              |
|------------------------------------------------------------------------------------|-----------|------------|----------------------------------------|----------------|--------------------------------------------------------------|---------------------------------------------------|
| Banks/Building Societies                                                           | £30m      | 2yrs       | Less than 1 year                       | AA-            | Requires all: Standard & Poor (A-1); Fitch (F1; Moody's P-1) | Requires Moody's Aa3 (or better)                  |
| * Banks/Building Societies                                                         | £20m      | 1 yr       | Less than 1 year                       | AA-            | Requires all: Standard & Poor (A-1); Fitch (F1; Moody's P-1) | Requires Moody's long term A1 (or better)         |
| Banks/Building Societies                                                           | £7m       | 100 day    | Less than 1 year                       | AA-            | Either: Standard & Poor (A-1); Fitch (F1)                    | Either of; Moody's long term A3 or better;        |
| Nat West Bank                                                                      | £20m      | 1yr        | Less than 1 year                       | N/A            | Council's bank/part Government owned                         | N/A                                               |
| Local Authorities                                                                  | £20m      | 1yr        | Less than 1 year                       | N/A            | N/A                                                          | N/A                                               |
| * Money market funds                                                               | £20m      | 1 yr       | Less than 1 year                       | N/A            | N/A                                                          | Either: Standard & Poor AAA; Fitch AA; Moody's AA |
| Treasury Bills                                                                     | No limit  | 6 months   | Less than 1 year                       | N/A            | UK Gov. rating                                               | UK Gov. rating                                    |
| UK Government Bonds                                                                | Unlimited | 2 years    | Less than 1 year                       | N/A            | UK Gov. rating                                               | UK Gov. rating                                    |
| <i>*See 7.6, sets out alternative amounts &amp; ratings to be used in extremis</i> |           |            |                                        |                |                                                              |                                                   |

**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 relies 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. This additional market information (for example Credit Default Swaps, rating Watches/Outlooks) will be applied to compare the relative security of differing investment opportunities.

**Time and monetary limits applying to investments.** The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both specified and non-specified investments):

### UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is

intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

### 7.3 Other limits

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

- a) **Non-specified investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 20% of the total investment portfolio.
- b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of AA-** from Fitch or equivalent. With the UK governments credit rating been placed on negative watch with Fitch on the 27/03/20 there is a possibility that the UK government rating could go below AA-. With this in mind it is proposed to lower the country credit rating required for the UK to A1 The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

### 7.4 Investment strategy

**In-house funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

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

### Investment returns expectations.

On the assumption that the UK and EU agree a Brexit deal including the terms of trade by the end of 2020 or soon after, then Bank Rate is forecast to increase only slowly over the next few years to reach 1.00% by quarter 1 2023. Bank Rate forecasts for financial year ends (March) are:

- Q1 2021 0.75%
- Q1 2022 1.00%
- Q1 2023 1.00%

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:

|             |       |
|-------------|-------|
| 2019/20     | 0.75% |
| 2020/21     | 0.75% |
| 2021/22     | 1.00% |
| 2022/23     | 1.25% |
| 2023/24     | 1.50% |
| 2024/25     | 1.75% |
| Later years | 2.25% |

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- In the event that a Brexit deal is agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

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

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

| <b>Upper limit for principal sums invested for longer than 365 days</b> |                |                |                |
|-------------------------------------------------------------------------|----------------|----------------|----------------|
| <b>£m</b>                                                               | <b>2020/21</b> | <b>2021/22</b> | <b>2022/23</b> |
| Principal sums invested for longer than 365 days                        | £20m           | £20m           | £20m           |

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds

and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

### **7.5 Investment performance / risk benchmarking**

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of 7 day, LIBID compounded. A rate of 0.86% was achieved up to 31/01/20 against a benchmark rate of 0.76%.

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

### **7.6 Changes to Treasury Management Policy Statement Covid 19**

To deal with the coronavirus outbreak, to note the following changes to the Treasury Policy statement.

a) For a 4-month period, increase the investment balance we can hold with Nat West Bank (the Council's bank) from the £20m limit to unlimited. The reasons for this are:

- Transmission issues within the financial markets or problems caused by high staff sickness within the Council.
- Receipts of a Section 31 grant from the Government around the 1 April in excess of £20m. Potentially, this grant will be held overnight in the Council's bank account before paying these amounts over to businesses within the Bradford district.

b) For a 4-month period, reduce the credit rating required for Money market funds from Aaa to AA. The reasons for this are:

- These funds may still be the best option if there are credit rating reductions across the board.

c) For a 4-month period, the Scheme of Delegation gives specific authority to the S151 Officer to allow £30m to be borrowed in advance by the Treasury Management Officer at the point a prospective cash flow requirement is identified, without further consultation.

The background to this is that while the Treasury Management Strategy provides an Authorised Operational Limit to the Treasury Management Officer, consultation is often required to assess the cash flow position. The proposal is that the Treasury Management Officer will consult on the cash flow position with the Financial Accounting & Systems team where possible, but explicit authority is also provided to borrow up to £30m as required.

- The amendment to the Scheme of Delegation will enable the Treasury Management Officer to react quickly to market events should this be necessary.

- Dealing with the current crisis could cause significant spending pressures, together with a reduction in the Council's income streams. While some grant funding has been provided, the timing of the cash flows and the overall impact is still uncertain.
- The explicit authority to borrow £30m in the Scheme of Delegation still allows the Treasury Management Officer to update the Section 151 Officer and finance officers of any borrowing required as soon as possible.

d) In the event that market instability leads to further proposals to change the Treasury Management Policy, approval will be requested either through Council committees, Emergency Powers, or from the Section 151 officer.

## 8. OPTIONS

None

## 9. FINANCE & RESOURCE APPRAISAL

The financial implications are set out above

## 10. RISK APPRAISAL

10.1 The principal risks associated with treasury management are:

Risk: Loss of investments as a result of failure of counterparties.

Mitigation: Limiting the types of investment instruments used, setting lending criteria for counterparties, and limiting the extent of exposure to individual counterparties.

Risk: That the council will commit too much of its investments in fixed term investments and might have to recall investments prematurely resulting in possible additional costs or new borrowing (Liquidity risk).

Mitigation: Ensuring that a minimum proportion of investments are held in short term investments for cash flow purposes.

Risk: Increase in the net financing costs of the Council due to borrowing at high rates of interest.

Mitigation: Planning and undertaking borrowing and lending in light of assessments of future interest rate movements, and by undertaking mostly long term borrowing at fixed rates of interest (to reduce the volatility of capital financing costs).

Risk: Higher interest rates increase borrowing making it more difficult to self-finance capital schemes. Debt servicing becomes less affordable and less sustainable and crowds out revenue spend.

Mitigation: To pause, delay or defer capital schemes. To review opportunities to borrow in the future at current interest rates.

Risk The Coronavirus. The level of uncertainty in the future path of economic growth ,unemployment ,fiscal and monetary policy make it very difficult to accurately assess the impact on investments, capital spend and borrowing for the Council. The scale of impact will depend on the length of any lockdown and the depth of any recessionary impact

Mitigation Cash investments will be mainly held short term until the effects of

the virus becomes clearer and we will continue to monitoring the situation and report any changes in the next Treasury report.

Risk: The Council's Minimum Revenue Policy charges an insufficient amount to the Revenue Estimates to repay debt.

Mitigation: Align the Minimum Revenue Policy to the service benefit derived from the Council's assets.

Risk: Associated with cash management, legal requirements and fraud.

Mitigation: These risks are managed through;

- Treasury Management Practices covering all aspects of Treasury management procedures including cash flow forecasting, documentation, monitoring, reporting and division of duties.
- All Treasury management procedures and transactions are subject to inspection by internal and external auditors. The council also employs external financial advisors to provide information on market trends, credit rating alerts, lending criteria advice and investment opportunities.

Risk: Anticipated borrowing is lower than expected because the 2020-21 capital budget is underspent.

Mitigation: Detailed cash flow monitoring

## **11. LEGAL IMPLICATIONS**

8.1 Any relevant implication considerations are set in the report.

## **12. OTHER IMPLICATIONS**

9.1 Equal Rights implications –

9.2 Sustainability implications – no direct implications

9.3 Greenhouse Gas Emissions Impact- no direct implications

9.4 Community safety implications- no direct implications

9.5 Human Rights Act – no direct implication

9.6 Trade Unions – no direct implications

9.7 Ward Implications – no direct implications

## **13. NOT FOR PUBLICATIONS DOCUMENTS**

None

## **14.RECOMMENDATIONS**

14.1 That the changes to the Treasury Management Strategy be received and referred to Council for adoption.

14.2 That the changes in Section 6b and 7.6 agreed under Officer Delegation Powers in accordance with emergency provision within the Council's Constitution be noted.

## **15. APPENDICES**

Appendix 1 Prudential and Treasury Management indicators and MRP statement

Appendix 2 Economic background

Appendix 3 Borrowing options

Appendix 4 Approved countries for investments

Appendix 5 Treasury management scheme of delegation

Appendix 6 Treasury management role of the section 151 officer

## **16 Background Documents**

Treasury Management Schedules

Treasury Management Practices

Treasury Policy

## Appendix 1 Prudential Indicators

|                                                                          | <b>31/03/19<br/>Actual<br/>£m</b> | <b>31/03/20<br/>Estimate<br/>£m</b> | <b>31/03/21<br/>Estimate<br/>£m</b> | <b>31/03/22<br/>Estimate<br/>£m</b> | <b>31/03/23<br/>Estimate<br/>£m</b> | <b>31/03/24<br/>Estimate<br/>£m</b> |
|--------------------------------------------------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>Opening Capital Financing Requirement</b>                             | <b>669</b>                        | <b>700</b>                          | <b>731</b>                          | <b>802</b>                          | <b>867</b>                          | <b>914</b>                          |
| Increase in borrowing<br>Less MRP<br>and other<br>financing<br>movements | 32<br>-1                          | 51<br>-20                           | 96<br>-25                           | 93<br>-28                           | 78<br>-31                           | 36<br>-34                           |
| <b>Closing Capital Financing Requirement</b>                             | <b>700</b>                        | <b>731</b>                          | <b>802</b>                          | <b>867</b>                          | <b>914</b>                          | <b>916</b>                          |

### External Debt Analysis

|                                              | <b>31/03/19<br/>Actual<br/>£m</b> | <b>31/03/20<br/>Estimate<br/>£m</b> | <b>31/03/21<br/>Estimate<br/>£m</b> | <b>31/03/22<br/>Estimate<br/>£m</b> | <b>31/03/23<br/>Estimate<br/>£m</b> | <b>31/03/24<br/>Estimate<br/>£m</b> |
|----------------------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>Opening Capital Financing Requirement</b> | <b>669</b>                        | <b>700</b>                          | <b>732</b>                          | <b>803</b>                          | <b>868</b>                          | <b>916</b>                          |
| Private Finance Initiative                   | -178                              | -174                                | -169                                | -165                                | -161                                | -156                                |
| Earmarked Reserves                           | -202                              | -256                                | -256                                | -256                                | -256                                | -256                                |
| Investments                                  | 35                                | 53                                  | 10                                  | 10                                  | 10                                  | 10                                  |
| Working Capital                              | 2                                 | -9                                  | -9                                  | -9                                  | -9                                  | -9                                  |
| <b>(ii) Opening External Debt 1 April</b>    | <b>326</b>                        | <b>314</b>                          | <b>308</b>                          | <b>383</b>                          | <b>452</b>                          | <b>505</b>                          |
| <i>Under borrowing</i>                       | <i>343</i>                        | <i>386</i>                          | <i>424</i>                          | <i>420</i>                          | <i>416</i>                          | <i>411</i>                          |

### Analysis of Capital Spend Requiring Borrowing

|                     | <b>31/03/19<br/>Actual<br/>£m</b> | <b>31/03/20<br/>Estimate<br/>£m</b> | <b>31/03/21<br/>Estimate<br/>£m</b> | <b>31/03/22<br/>Estimate<br/>£m</b> | <b>31/03/23<br/>Estimate<br/>£m</b> | <b>31/03/24<br/>Estimate<br/>£m</b> |
|---------------------|-----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Total Capital Spend | 84                                | 121                                 | 209                                 | 205                                 | 190                                 | 42                                  |

|                                            |           |           |           |           |           |           |
|--------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Capital Spend not funded from borrowing    | 53        | 70        | 113       | 112       | 112       | 6         |
| <b>Capital spend funded from borrowing</b> | <b>31</b> | <b>51</b> | <b>96</b> | <b>93</b> | <b>78</b> | <b>36</b> |

### Projected New Borrowing

|                                          | 31/03/20<br>Estimate<br>£m | 31/03/21<br>Estimate<br>£m | 31/03/22<br>Estimate<br>£m | 31/03/23<br>Estimate<br>£m | 31/03/24<br>Estimate<br>£m |
|------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Borrowing requirement for capital budget | 51                         | 96                         | 93                         | 78                         | 36                         |
| Maturing loans                           | 17                         | 2                          | 6                          | 16                         | 6                          |
| Investment/working capital changes       | 7                          | -43                        | 0                          | 0                          | 0                          |
| MRP (excluding PFI)                      | -15                        | -21                        | -23                        | -26                        | -30                        |
| <b>External Loan requirement</b>         | <b>60</b>                  | <b>34</b>                  | <b>76</b>                  | <b>68</b>                  | <b>12</b>                  |

### Operational Limit for external Debt

|                             | 2018-19<br>£m | 2019-20<br>£m | 2020-21<br>Proposed<br>£m | 2021-22<br>Proposed<br>£m | 2022-23<br>Proposed<br>£m | 2023-24<br>Proposed<br>£m |
|-----------------------------|---------------|---------------|---------------------------|---------------------------|---------------------------|---------------------------|
| External Loans              | 400           | 410           | 540                       | 605                       | 655                       | 655                       |
| Other Long term liabilities | 200           | 180           | 180                       | 180                       | 180                       | 180                       |

### Authorised Limit for external Debt

|                             | 2018-19<br>£m | 2019-20<br>£m | 2020-21<br>£m | 2021-22<br>£m | 2022-23<br>£m | 2023-24<br>£m |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| External Loans              | 420           | 430           | 550           | 615           | 665           | 665           |
| Other Long term liabilities | 220           | 200           | 180           | 180           | 180           | 180           |

The Section 151 Officer is authorised to amend the separately identified figures for borrowing and other long term liabilities for both the operational and the authorised limit.

## **Appendix 2: Proposed Minimum Revenue Provision (MRP) policy**

- 1.1 The Local Government Act 2003 requires the Council to make a provision for the repayment of borrowing used to finance its capital expenditure, known as the Minimum Revenue Provision (MRP).
- 1.2 The MRP is the amount of principal capital repayment that is set aside each year in order to repay the Capital Financing Requirement (CFR) based on the requirement of statutory regulation and the Council's own accounting policies.
- 1.3 The Council is required to state as part of its budget process the policy for determining its MRP. The policy was changed last year for PFI assets generating savings in the current and future years. This year there is one proposed change to the policy adopted last year in relation to asset lives. The method for calculating the MRP on each category of debt is outlined below:
  - a) The policy for charging MRP on historic supported borrowing is on the asset life method calculated on an equal instalment basis over 50 years.
  - b) Unsupported or prudential borrowing MRP is based on the Asset Life method – that is, the expenditure financed from borrowing is divided by the expected asset life. For schemes funded before 31<sup>st</sup> March 2012 the MRP is calculated on the annuity basis and for schemes funded after 1<sup>st</sup> April 2012 the MRP is calculated on an equal instalment basis. This means no change to existing policy.
  - c) Since 2009/10 the appropriate financing costs for the Council's Building Schools for the Future (BSF) Private Finance Initiative (PFI) schemes have been included in MRP calculations. In 2018-19 the MRP policy for PFI assets was brought into line with the main MRP Policy and the charge of the principal to the revenue account is now over the life of the school building assets.
  - d) Asset lives are reviewed on an ongoing basis to match the MRP charge to the Revenue Estimates with the service benefit derived from the asset.
  - e) Where the Council has made property investments [or an invest to save investment] during or after 2018-19, the Section 151 Officer may choose to repay debt over the asset life using the annuity method. This is subject to an in house valuation that the investment property has retained or increased in value. Further it is subject to the condition that the in-year yield is above that average for Treasury Investments and this is expected to continue into the future.

- 1.4 The CFR represents the amount of capital expenditure that has been financed from borrowing, less any amounts that the Council has set aside to repay that debt through the MRP. Borrowing may come from loans taken from the Public Works Loan Board (PWLB) or commercial banks, finance leases (including PFI) or from the use of the Council's own cash balances.
- 1.5 External debt can be less than the CFR. External debt cannot exceed the CFR (other than for short term cash flow purposes or cash flow management.)
- 1.6 There is an International Financial Reporting Standards requirement that assets funded from finance leases (including PFI deals) are brought onto the balance sheet. This also includes the liability as well as the asset. Therefore, the term borrowing does not just include loans from the Public Works Loan Board and banks, but also the liability implicit in PFI and other finance leases.
- 1.7 The CIP will need to be reviewed through the planning cycle to ensure it remains affordable within revenue resources and to take account of the actual implementation of capital schemes.
- 1.8 Loans to third parties for a capital purpose can be repaid with the repayments providing the following conditions are met: the capital scheme is self-financing; that there is overall confidence that the loan will be repaid; that the third party adheres to the agreed repayment schedule.

## Appendix 3 Economic background

**UK. Brexit.** 2019 was a year of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on 31 October 2019, with or without a deal. However, MPs blocked leaving on that date and the EU agreed an extension to 31 January 2020. In late October, MPs approved an outline of a Brexit deal to enable the UK to leave the EU on 31 January. The Conservative Government gained a large overall majority in the **general election** on 12 December; this ensured that the UK left the EU on 31 January. However, there will still be much uncertainty as the detail of a comprehensive trade deal will need to be negotiated by the current end of the transition period in December 2020, which the Prime Minister has pledged he will not extend. This could prove to be an unrealistically short timetable for such major negotiations that leaves open three possibilities; a partial agreement on many areas of agreement and then continuing negotiations to deal with the residual areas, the need for the target date to be put back, probably two years, or, a no deal Brexit in December 2020.

**GDP growth took** a big hit from both political and Brexit uncertainty during 2019; quarter three 2019 surprised on the upside by coming in at +0.4% q/q, +1.1% y/y. However, the peak of Brexit uncertainty during the final quarter appears to have suppressed quarterly growth to probably around zero. The forward-looking surveys in January have indicated that there could be a significant recovery of growth now that much uncertainty has gone. Nevertheless, economic growth may only come in at about 1% in 2020, pending the outcome of negotiations on a trade deal. Provided there is a satisfactory resolution of those negotiations, which are in both the EU's and UK's interest, then growth should strengthen further in 2021.

At its 30 January meeting, the Monetary Policy Committee held Bank Rate unchanged at 0.75%. The vote was again split 7-2, with two votes for a cut to 0.50%. The financial markets had been predicting a 50:50 chance of a rate cut at the time of the meeting. Admittedly, there had been plenty of downbeat UK economic news in December and January which showed that all the political uncertainty leading up to the general election, together with uncertainty over where Brexit would be going after the election, had depressed economic growth in quarter 4. In addition, three members of the MPC had made speeches in January which were distinctly on the dovish side, flagging up their concerns over weak growth and low inflation; as there were two other members of the MPC who voted for a rate cut in November, five would be a majority at the January MPC meeting if those three followed through on their concerns.

However, that downbeat news was backward looking; more recent economic statistics and forward-looking business surveys, have all pointed in the direction of a robust bounce in economic activity and a recovery of confidence after the decisive result of the general election removed political and immediate Brexit uncertainty. In addition, the September spending round increases in expenditure will start kicking in from April 2020, while the Budget

in March is widely expected to include a substantial fiscal boost by further increases in expenditure, especially on infrastructure. The Bank of England cut its forecasts for growth from 1.2% to 0.8% for 2020, and from 1.8% to 1.4% for 2021. However, these forecasts could not include any allowance for the predicted fiscal boost in the March Budget. Overall, the MPC clearly decided to focus on the more recent forward-looking news than the earlier downbeat news.

The quarterly Monetary Policy Report did, though, flag up that there was still a risk of a Bank Rate cut; "Policy may need to reinforce the expected recovery in UK GDP growth should the more positive signals from recent indicators of global and domestic activity not be sustained or should indicators of domestic prices remain relatively weak." Obviously, if trade negotiations with the EU failed to make satisfactory progress, this could dampen confidence and growth. On the other hand, there was also a warning in the other direction, that if growth were to pick up strongly, as suggested by recent business surveys, then "some modest tightening" of policy might be needed further ahead. It was therefore notable that the Bank had dropped its phrase that tightening would be "limited and gradual", a long-standing piece of forward guidance; this gives the MPC more room to raise Bank Rate more quickly if growth was to surge and, in turn, lead to a surge in inflation above the 2% target rate.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell again in both October and November to a three-year low of 1.5% and then even further to 1.3% in December. It is likely to remain close to or under 2% over the next two years and so, it does not pose any immediate concern to the MPC at the current time. However, if there was a hard or no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

With regard to the **labour market**, growth in numbers employed has been quite resilient through 2019 until the three months to September, where it fell by 58,000. However, there was an encouraging pick up again in the three months to October to growth of 24,000 and then a stunning increase of 208,000 in the three months to November. The unemployment rate held steady at a 44-year low of 3.8% on the Independent Labour Organisation measure. Wage inflation has been steadily falling from a high point of 3.9% in July to 3.4% in November (3-month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.1%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.

**Coronavirus.** The Coronavirus outbreak is now causing significant disruption to the economy of China and could spill over to affect other countries. The Chinese economy is now very much bigger than it was at the time of the SARS outbreak in 2003 and far more integrated into world supply chains.

However, a temporary dip in Chinese growth might only lead to a catch up of lost production in following quarters with minimal net overall effect over a period of a year. However, no one knows quite how big an impact this virus will have around the world; hopefully, the efforts of the WHO and the Chinese authorities will ensure that the current level of infection does not multiply greatly. However, more recent news of significant outbreaks in Italy and Iran, and new cases being reported in several other countries, have alarmed investors; on 24 and 25 February, bond yields and equity markets fell sharply as investors moved into safe haven investments. The 10 year US bond yield hit a record low, which, in more normal times, would be seen as a predictor of a coming recession. However, this could also be viewed as being a panic reaction to a worst case scenario which may not occur.

If the coronavirus outbreak were to become more widespread in Europe and the US, it would raise a question as to whether central banks might need to take action to cut interest rates, or ease monetary policy in other ways, to help economies suffering significant disruption to economic activity. If the situation does deteriorate, then it is likely that we will see low bond yields, lower global growth and investor confidence waning until an end is in sight for the coronavirus crisis i.e. the forecasts for interest rates in this report will be knocked off course.

In recent weeks, western countries and countries neighbouring China have also started to be affected by shortages of key components from China, e.g. in car manufacture: just one missing component will mean that a car cannot be fully assembled or sold. This will undoubtedly raise doubts about future reliance on sourcing individual components from China, especially where 3D printing and/or artificial intelligence are beginning to tip the scales in favour of on-shoring some production back from China

**USA.** After growth of 2.9% y/y in 2018 fuelled by President Trump's massive easing of fiscal policy, growth has weakened in 2019. After a strong start in quarter 1 at 3.1%, (annualised rate), it fell to 2.0% in quarter 2 and then 2.1% in quarters 3 and 4. This left the rate for 2019 as a whole at 2.3%, a slowdown from 2018 but not the precursor of a recession which financial markets had been fearing earlier in the year. Forward indicators are currently indicating that growth is likely to strengthen somewhat moving forward into 2020.

**The Fed** finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment'. It also ended its programme of quantitative tightening in August 2019, (reducing its holdings of treasuries etc.). It then cut rates by 0.25% again in September and by another 0.25% in its October meeting to 1.50 – 1.75%. It left rates unchanged at its December meeting. Rates were again left unchanged at its end of January meeting although it had been thought that as the yield curve on Treasuries had been close to inverting again, (with 10 year yields nearly falling below 2 year yields - this is often viewed as being a potential indicator of impending recession), that the Fed could have cut rates, especially in view of the threat posed by the coronavirus. However, it acknowledged that

coronavirus was a threat of economic disruption but was not serious at the current time for the USA. In addition, the phase 1 trade deal with China is supportive of growth. The Fed though, does have an issue that despite reasonably strong growth rates, its inflation rate has stubbornly refused to rise to its preferred core inflation target of 2%; it came in at 1.6% in December. It is therefore unlikely to be raising rates in the near term. It is also committed to reviewing its approach to monetary policy by midyear 2020; this may include a move to inflation targeting becoming an average figure of 2% so as to allow more flexibility for inflation to under and over shoot.

**“The NEW NORMAL.”** The Fed chairman has given an overview of the current big picture of the economy by summing it up as **A NEW NORMAL OF LOW INTEREST RATES, LOW INFLATION AND PROBABLY LOWER GROWTH**. This is indeed an affliction that has mired Japan for the last two decades despite strenuous efforts to stimulate growth and inflation by copious amounts of fiscal stimulus and cutting rates to zero. China and the EU are currently facing the same difficulty to trying to get inflation and growth up. Our own MPC may well have growing concerns and one MPC member specifically warned on the potential for a low inflation trap in January. It is also worth noting that no less than a quarter of total world sovereign debt is now yielding negative returns.

**EUROZONE. Growth** has been slowing from +1.8 % during 2018 to nearly half of that in 2019. Growth was +0.4% q/q in quarter 1, +0.2% q/q in quarters 2 and 3; it then fell to +0.1% in quarter 4 for a total overall growth rate of only 1.0% in 2019. Recovery from quarter 4 is expected to be slow and gradual. German GDP growth has been struggling to stay in positive territory in 2019 and grew by only 0.6% in 2019, with quarter 4 potentially being a negative number. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars.

**The European Central Bank (ECB)** ended its programme of quantitative easing purchases of debt in December 2018, which then meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by quantitative easing purchases of debt. However, the downturn in EZ growth in the second half of 2018 and in 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March 2019 meeting, it said that it expected to leave interest rates at their present levels “at least through to the end of 2019”, but that was of little help to boosting growth in the near term. Consequently, it announced a **third round of TLTROs**; this provides banks with cheap borrowing every three months from September 2019 until March 2021 that means that, although they would have only a two-year maturity, the Bank was making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank’s eligible loans. However, since then, the

downturn in EZ and world growth has gathered momentum; at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a **resumption of quantitative easing purchases of debt for an unlimited period**. At its October meeting it said these purchases would start in November at €20bn per month - a relatively small amount compared to the previous buying programme. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and, unsurprisingly, the ECB stated that governments would need to help stimulate growth by 'growth friendly' fiscal policy. There have been no changes in rates or monetary policy since October. In January, the ECB warned that the economic outlook was 'tilted to the downside' and repeated previous requests for governments to do more to stimulate growth by increasing national spending. The new President of the ECB, Christine Lagarde who took over in December, also stated that a year long review of monetary policy, including the price stability target, would be conducted by the ECB

On the political front, Austria, Spain and Italy have been in the throes of **forming coalition governments** with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The most recent results of German state elections has put further pressure on the frail German CDU/SPD coalition government and on the current leadership of the CDU.

**CHINA.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.

**JAPAN** - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

**WORLD GROWTH.** 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. **Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this will militate against central banks increasing interest rates.**

The trade war between the US and China is a major concern to **financial markets** due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns resulted in **government bond yields** in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US). There are also concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks and the use of negative central bank rates in some countries.

### **INTEREST RATE FORECASTS**

The interest rate forecasts provided by Link Asset Services in paragraph 3.3 are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU**. On this basis, while GDP growth is likely to be subdued in 2019 and 2020 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement on the detailed terms of a trade deal is likely to lead to a boost to the rate of growth in subsequent years. This could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit in December 2020**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- If there were a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

### **The balance of risks to the UK**

- The overall balance of risks to economic growth in the UK is probably relatively even due to the weight of all the uncertainties over post-Brexit trade arrangements and the impact of an expansionary government spending policy (as expected in the Budget on 11th March).
- The balance of risks to increases or decreases in Bank Rate and shorter term PWLB rates are also broadly even.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

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

- **Post Brexit trade negotiations** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **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**. In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new coalition based on an unlikely alliance of two very different parties will endure.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government**. 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 recent state elections but the SPD has done particularly badly and this has raised a major question mark over continuing to support the CDU. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until 2021.

- **Other minority EU governments.** Austria, Finland, Sweden, Spain, Portugal, Netherlands 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. There has also been rising anti-immigration sentiment in Germany and France. In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was **potential for a rerun of the 2008 financial crisis**, but this time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on **some \$19trn of corporate debt in major western economies**, if world growth was to dip further than just a minor cooling. This debt is mainly held by the shadow banking sector i.e. pension funds, insurers, hedge funds, asset managers etc., who, when there is \$15trn of corporate and government debt now yielding negative interest rates, have been searching for higher returns in riskier assets. Much of this debt is only marginally above investment grade so any rating downgrade could force some holders into a fire sale, which would then depress prices further and so set off a spiral down. The IMF's answer is to suggest imposing higher capital charges on lending to corporates and for central banks to regulate the investment operations of the shadow banking sector. In October 2019, the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels. **Geopolitical risks**, for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows. **Upside risks to current forecasts for UK gilt yields and PWLB rates**
  - **Brexit** – if a comprehensive agreement on a trade deal was reached that removed all threats of economic and political disruption between the EU and the UK.
  - The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
  - **UK inflation**, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.
  - **A pandemic** causing major economic disruption around the world.

## Appendix 4 Borrowing options

|                                | Cannot forward borrow   | Partial forward borrow             | Forward Borrow                                                          |                                      |                                                  |                                   |
|--------------------------------|-------------------------|------------------------------------|-------------------------------------------------------------------------|--------------------------------------|--------------------------------------------------|-----------------------------------|
|                                | Public Works Loan Board | Public Bond                        | Local Government                                                        | Direct lending from multiple lenders | Private direct lending made to a single investor | Sale direct to a private investor |
| <b>Description</b>             | Public Works Loan Board | Listed fixed rate debt             | Local Government                                                        | Direct lending from multiple lenders | Private direct lending made to a single investor | Sale direct to a private investor |
| <b>Issuance Size</b>           | Any size                | >£100m-150m                        | £m to maybe £50m separate Councils                                      | >£30 million plus                    | >£10m upto £50m                                  | >£30m                             |
| <b>Time period</b>             | up to 50 years          | 15-50 years                        | up to 3 years                                                           | 10 -50 years                         | 10-50 years                                      | 10 to maybe 50 years              |
| <b>Council's credit rating</b> | not required            | required                           | not required                                                            | not required                         | not required                                     | not required                      |
| <b>Dealing costs</b>           | £350 per million        | <£750,000                          | Broker fee £1.37 per million x days                                     | £2400 brokerage fee per £1m          | £2400 brokerage fee per £1m                      | <£250,000                         |
| <b>Annual costs</b>            | no ongoing costs        | <£25000                            | no ongoing costs                                                        | no ongoing costs                     | no ongoing costs                                 | no ongoing costs                  |
| <b>Estimated Rates</b>         | 1.80% over gilts        | Maybe lower than private placement | 1 year 0.40% over gilts/2 year 0.95% over gilts/3 year 1.15% over gilts | 1.30%-1.60% over gilts               | 1.50% over gilts                                 | est 1.20 % to 1.50% over gilts    |
| <b>Documentation</b>           | Just a loan form        | Prospectus                         | Just a loan form                                                        | Loan agreement                       | Loan agreement                                   | Investor driven                   |
| <b>Timetable</b>               | instant                 | 12 weeks (including credit rating) | instant                                                                 | 2-5 weeks                            | around 5 weeks                                   | 12 weeks minimum                  |

## Appendix 5 APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher ,UK A1 (we show the lowest rating from Fitch, Moody's and S&P)

### ***Based on lowest available rating***

#### AAA

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

#### AA+

- Finland
- U.S.A.

#### AA

- Hong Kong
- France

#### AA-

- Belgium
- UK

## **Appendix6 TREASURY MANAGEMENT SCHEME OF DELEGATION**

### **(i) Full board/council**

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

### **(ii) Governance and Audit Committee**

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;

### **(iii) Internal Audit**

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

### **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;
- Approving the appointment of external service providers
- preparation of a capital strategy to include capital expenditure, capital financing, and treasury management, with a long term timeframe

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**Report of the Director of Finance & IT to the  
meeting of Governance and Audit to be held on  
25 June 2020**

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**AG**

**Subject:**

**Annual Treasury Management Report 2019-20**

**Summary statement:**

**This report shows the Council's Treasury Management activities for the  
year ending 31 March 2020**

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Chris Chapman  
Director of Finance & IT

**Portfolio: Corporate Services**

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**Overview & Scrutiny Area:**  
**Corporate Services**

## 1. Introduction

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2019-20. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2019-20 the minimum reporting requirements were that the full Council should receive the following reports:

- An annual treasury strategy in advance of the year (Council 19/03/2019). Due to the cancellation of Full Council meetings in March and May the 2020-21 strategy will go to the next available Full Council meeting
- A mid-year treasury update report (Council 19/09/2019).
- An annual review following the end of the year describing the activity compared to the strategy (this report).

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

This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Governance and Audit Committee, before they were reported to the full Council. Member training on treasury management issues was undertaken at the start of the year on 14<sup>th</sup> March 2019 in order to support Members' scrutiny role.

## 2. Overall Treasury Position as at 31 March 2020

At the beginning and the end of 2019-20 the Council's treasury, (including borrowing by PFI and finance leases), position was as follows:

|                                 | 31 March<br>2019<br>Principal<br>£'m | Rate/<br>Return | 31 March<br>2020<br>Principal<br>£'m | Rate/<br>Return |
|---------------------------------|--------------------------------------|-----------------|--------------------------------------|-----------------|
| Fixed rate funding:             |                                      |                 |                                      |                 |
| -PWLB                           | 275.8                                |                 | 299.7                                |                 |
| -Market                         | 36.2                                 |                 | 36.2                                 |                 |
| PFI and other finance<br>leases | 170.0                                |                 | 163.0                                |                 |
| Short term borrowing            | 0                                    |                 | 10.0                                 |                 |
| <b>Total debt</b>               | <b>482.0</b>                         | 5.4%            | <b>508.9</b>                         | 4.5%            |
| CFR                             | 700.1                                |                 | 710.7                                |                 |
| Over / (under) borrowing        | (218.1)                              |                 | (201.8)                              |                 |
| Total investments               | 56.9                                 | 0.74%           | 95.1                                 | 0.8%            |
| <b>Net debt</b>                 | <b>425.1</b>                         |                 | <b>413.8</b>                         |                 |

### 3. Prudential Indicators

#### 3.1 Capital Expenditure

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

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

Actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

|                                       | <b>2018-19<br/>Actual<br/>£'m</b> | <b>2019-20<br/>Estimate<br/>£'m</b> | <b>2019-20<br/>Actual<br/>£'m</b> |
|---------------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| <b>Capital expenditure</b>            | <b>84.3</b>                       | <b>146.5</b>                        | <b>80.6</b>                       |
| Financed in year                      | 52.7                              | 75.0                                | 51.1                              |
| <b>Unfinanced capital expenditure</b> | <b>31.6</b>                       | <b>71.5</b>                         | <b>29.5</b>                       |

#### 3.2 The Council's Overall Borrowing Need

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

In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2018-19), plus the estimates of any additional capital financing requirement for the current (2019-20) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2019-20. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

|                                          | <b>31 March<br/>2019<br/>Actual<br/>£'m</b> | <b>31 March<br/>2020<br/>Budget<br/>£'m</b> | <b>31 March<br/>2020<br/>Actual<br/>£'m</b> |
|------------------------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|
| Capital Financing Requirement            | 700.1                                       | 764.0                                       | 710.7                                       |
| Gross borrowing position                 | 482.0                                       | 542.0                                       | 508.9                                       |
| <b>(Under) / over funding of<br/>CFR</b> | <b>(218.1)</b>                              | <b>(222.0)</b>                              | <b>(201.8)</b>                              |

### 3.3 Treasury Indicators

**The authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2019-20 the Council has maintained gross borrowing within its authorised limit.

**The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

**Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

|                                                       | <b>2019-20</b> |
|-------------------------------------------------------|----------------|
| Authorised limit                                      | £630m          |
| Maximum gross borrowing position during the year      | 508.9m         |
| Operational boundary                                  | £590m          |
| Financing costs as a proportion of net revenue stream | 12.5%          |

The maturity structure of the debt portfolio was as follows:

|                                | <b>31 March<br/>2019<br/>Actual<br/>£'m</b> | <b>31 March<br/>2020<br/>Actual<br/>£'m</b> |
|--------------------------------|---------------------------------------------|---------------------------------------------|
| Under 12 months                | 17.1                                        | 11.8                                        |
| 12 months and within 24 months | 1.8                                         | 5.5                                         |
| 24 months and within 5 years   | 27.5                                        | 31.7                                        |
| 5 years and within 10 years    | 58.7                                        | 57.8                                        |
| 10 years and within 20 years   | 61.9                                        | 53.5                                        |
| 20 years and within 30 years   | 0                                           | 0                                           |
| 30 years and within 40 years   | 95.2                                        | 95.2                                        |
| 40 years and within 50 years   | 49.8                                        | 90.8                                        |

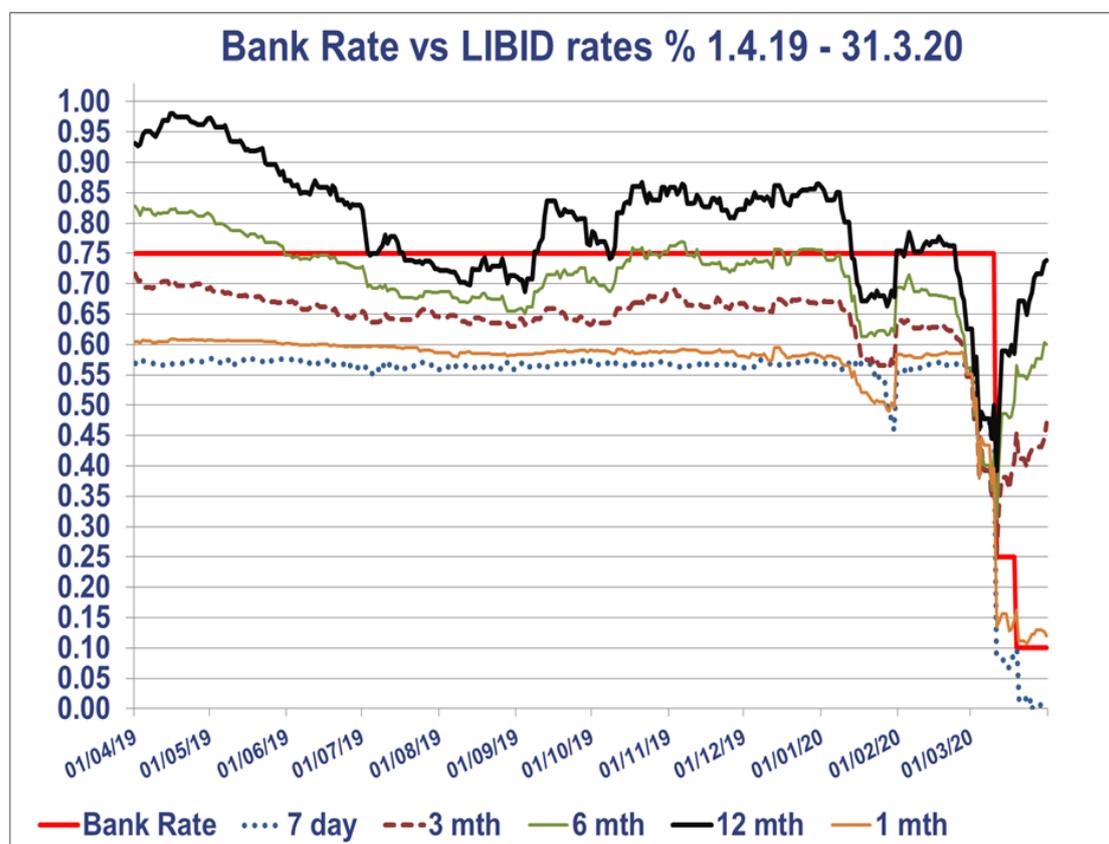
## 4 The Treasury Strategy for 2019-20

### 4.1 Investment strategy and control of interest rate risk

Investment returns remained low during 2019-20. The expectation for interest rates within the treasury management strategy for 2019-20 was that Bank Rate would stay at 0.75% during 2019-20 as it was not expected that the MPC would be able to deliver on an increase in Bank Rate until the Brexit issue was finally settled. However, there was an expectation that Bank Rate would rise after that issue was settled, but would only rise to 1.0% during 2020.

Rising concerns over the possibility that the UK could leave the EU at the end of October 2019 caused longer term investment rates to be on a falling trend for most of April to September. They then rose after the end of October deadline was rejected by the Commons but fell back again in January before recovering again after the 31 January departure of the UK from the EU. When the coronavirus outbreak hit the UK in February/March, rates initially plunged but then rose sharply back up again due to a shortage of liquidity in financial markets.

Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, where possible rather than borrowing externally from the financial markets. External borrowing has been taken from the PWLB as there was an expectation that the capital schemes would reduce the investment balances significantly.



## 4.2 Investment Outturn 2019-20

The Council's investment position at the end of 2019-20 is summarised below.

| INVESTMENT PORTFOLIO          | Actual<br>31.3.19<br>£m | Actual<br>31.3.19<br>% | Actual<br>31.3.20<br>£m | Actual<br>31.3.20<br>% |
|-------------------------------|-------------------------|------------------------|-------------------------|------------------------|
| <b>Treasury investments</b>   |                         |                        |                         |                        |
| Banks                         | 29.4                    | 52                     | 36.3                    | 38                     |
| Building Societies - rated    | 5.0                     | 9                      | 0.0                     | 0                      |
| DMADF                         | 0.0                     | 0                      | 53.8                    | 57                     |
| Treasury Bills                | 0.0                     | 0                      | 5.0                     | 5                      |
| Money Market Funds            | 22.5                    | 39                     | 0.0                     | 0                      |
| <b>Total managed in house</b> | <b>56.9</b>             | <b>100</b>             | <b>95.1</b>             | <b>100</b>             |

The maturity structure of the treasury investment portfolio was as follows:

|                    | 2018-19<br>Actual<br>£'m | 2019-20<br>Actual<br>£'m |
|--------------------|--------------------------|--------------------------|
| Investments        |                          |                          |
| Longer than 1 year | 0.0                      | 0.0                      |
| Up to 1 year       | 56.9                     | 95.1                     |

**Investments held by the Council** - The Council maintained an average balance of £65.9m of internally managed funds. The internally managed funds earned an average rate of return of 0.8%. The comparable performance indicator is the average 7-day LIBID rate, which was 0.54%.

## 4.3 Treasury Investment Policy

The Council's investment policy is governed by Ministry of Housing, Communities and Local Government (MHCLG) investment guidance, which has been implemented in the annual investment strategy approved by the Council on 19<sup>th</sup> March 2019. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

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

## 5 Borrowing

### 5.1 Borrowing strategy and control of interest rate risk

Borrowing is undertaken to fund net unfinanced capital expenditure and naturally maturing debt and also to maintain cash flow liquidity requirements. During 2019-20, the Council maintained an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.

A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.

The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt. Due to the high capital program over the next few years and the maturing of debt this year £17.1m in total, it was felt prudent to take out new borrowing of £41m.

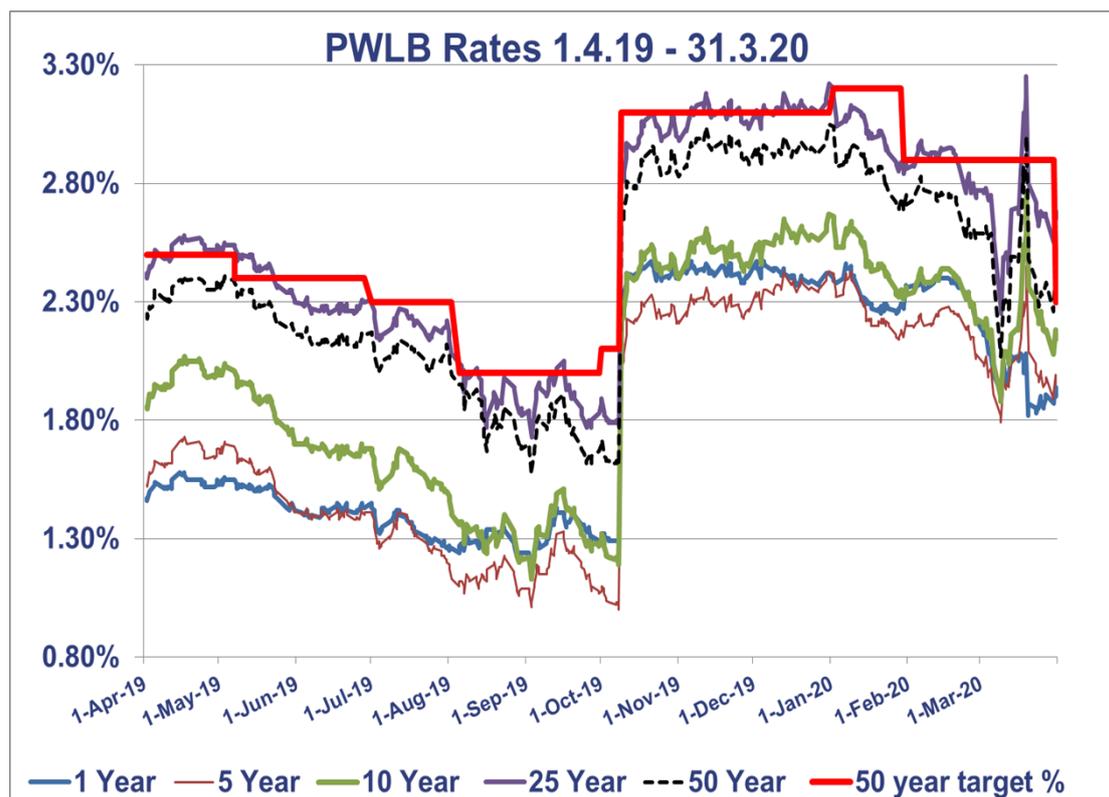
Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Director of Finance & IT monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:

- If it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.
- If it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and 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 would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2019-20 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

Below are Links forecasts for interest rates set at 05/08/2019.

| Link Asset Services Interest Rate View 5.8.19 |        |        |        |        |        |        |        |        |        |        |        |
|-----------------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                                               | Sep-19 | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 |
| Bank Rate View                                | 0.75   | 0.75   | 0.75   | 0.75   | 0.75   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   | 1.25   |
| 3 Month LIBID                                 | 0.70   | 0.70   | 0.70   | 0.70   | 0.80   | 0.90   | 1.00   | 1.00   | 1.00   | 1.10   | 1.20   |
| 6 Month LIBID                                 | 0.80   | 0.80   | 0.80   | 0.80   | 0.90   | 1.00   | 1.10   | 1.10   | 1.20   | 1.30   | 1.40   |
| 12 Month LIBID                                | 1.00   | 1.00   | 1.00   | 1.00   | 1.10   | 1.20   | 1.30   | 1.30   | 1.40   | 1.50   | 1.60   |
| 5yr PWLB Rate                                 | 1.20   | 1.30   | 1.50   | 1.60   | 1.70   | 1.70   | 1.80   | 1.90   | 2.00   | 2.00   | 2.10   |
| 10yr PWLB Rate                                | 1.50   | 1.60   | 1.80   | 1.90   | 2.00   | 2.00   | 2.10   | 2.20   | 2.30   | 2.30   | 2.40   |
| 25yr PWLB Rate                                | 2.10   | 2.30   | 2.40   | 2.50   | 2.60   | 2.70   | 2.70   | 2.80   | 2.90   | 3.00   | 3.00   |
| 50yr PWLB Rate                                | 2.00   | 2.20   | 2.30   | 2.40   | 2.50   | 2.60   | 2.60   | 2.70   | 2.80   | 2.90   | 2.90   |



PWLB rates are based on, and are determined by, gilt (UK Government bonds) yields through H. M. Treasury determining a specified margin to add to gilt yields. 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 heightened expectations that the US could have been heading for a recession in 2020, and a general background 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; 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. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have therefore seen, over the last year, many bond yields up to 10 years in

the Eurozone turn negative. 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 is that bond prices are elevated as investors would be 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.

Gilt yields were on a generally falling trend during the last year up until the coronavirus crisis hit western economies. Since then, gilt yields have fallen sharply to unprecedented lows as investors have panicked 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 also started quantitative easing purchases of government bonds which will act to maintain downward pressure on government bond yields at a time when there is going to be a huge and quick expansion of government expenditure financed by issuing government bonds; (this would normally cause bond yields to rise). At the close of the day on 31 March, all gilt yields from 1 to 5 years were between 0.12 – 0.20% while even 25-year yields were at only 0.83%.

However, HM Treasury has imposed **two changes in the margins over gilt yields for PWLB rates** in 2019-20 without any prior warning; the first on 9 October 2019, added an additional 1% margin over gilts to all PWLB rates. That increase was then partially reversed for some forms of borrowing on 11 March 2020, at the same time as the Government announced in the Budget a programme of increased spending on infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this ends on 31 July. It is clear that the Treasury intends to put a stop to local authorities borrowing money from the PWLB to purchase commercial property if the aim is solely to generate an income stream.

Following the changes on 11 March 2020 in margins over gilt yields, the current situation is as follows: -

- **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)

There is likely to be little upward movement in PWLB rates over the next two years as it will take national economies a prolonged period to recover all the momentum they will lose in the sharp recession that will be caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020-21.

## **5.2 Borrowing Outturn 2019-20**

£5.6m of loans matured in July and August 2019 with an average rate of interest of 6.7% and a further £11.5m matured in February 2020. A total of £17.1m of loans have matured this year with an average rate of interest of 6.6%. To finance

commitments in the capital plan £41m of new borrowing has been undertaken currently this year. Up to the 30th September £35m was borrowed and in Quarter two, loans for £1.5m and £4.5m were completed. The average rate of interest on the new loans is 2.0%.

**Summary of debt transactions** — management of the debt portfolio resulted in a fall in the average interest rate of 0.48%, from 5.37% to 4.89% representing net General Fund savings of £1.6m per year.

### **5.3 Borrowing in advance of need**

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

### **5.4 Rescheduling**

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

## **6 Other considerations**

6.1 None

## **7 Changes to the Treasury Management Policy**

At present the Council has a country credit limit on all investments of AA- and once a country goes below that rating no investments can be placed. On the 27-03-20 Fitch, one of the credit rating organisations, placed the UK Government on negative credit watch (at present AA-).

This raises the following issue that if the UK country rating goes below AA- then the Council will be unable to place investment with the Government or any UK bank. With this in mind it is proposed to make the following changes to the Treasury Policy.

The present criteria

The country credit rating should be AA- or above

New criteria

The country credit rating should be AA- or above apart from the UK, which should be A1 or above.

## **8 Options**

8.1 None

## **9 Financial and Resources Appraisal**

9.1 The financial implications are set out in section 1,2,3, 4 and 5.

## 10 Risk Management

10.1 The principal risks associated with treasury management are:

Risk: Loss of investments as a result of failure of counterparties.

Mitigation: Limiting the types of investment instruments used, setting lending criteria for counterparties, and limiting the extent of exposure to individual counterparties.

Risk: That the Council will commit too much of its investments in fixed term investments and might have to recall investments prematurely resulting in possible additional costs or new borrowing (Liquidity risk).

Mitigation: Ensuring that a minimum proportion of investments are held in short term investments for cashflow purposes.

Risk: The level of investments and surplus cash is higher than needed to fund short term timing differences.

Mitigation: Cash flow forecasting and capital expenditure monitoring.

Risk: Increase in the net financing costs of the Council due to borrowing at high rates of interest.

Mitigation: Planning and undertaking borrowing and lending in light of assessments of future interest rate movements, and by undertaking mostly long term borrowing at fixed rates of interest (to reduce the volatility of capital financing costs).

Risk: Higher interest rates increase borrowing making it more difficult to self-finance capital schemes. Debt servicing becomes less affordable and less sustainable and crowds out revenue spend.

Mitigation: To pause, delay or defer capital schemes. Also review opportunities to borrow in the future at current interest rates.

Risk: Return on non-treasury investments lower than expected.

Mitigation: Review and analysis of risk prior to undertaking non-treasury investments.

Risk: The Council's Minimum Revenue Policy charges an insufficient amount to the Revenue Estimates to repay debt.

Mitigation: Align the Minimum Revenue Policy to the service benefit derived from the Council's assets.

Risk: Associated with cash management, legal requirements and fraud.

Mitigation: These risks are managed through:

- Treasury Management Practices covering all aspects of Treasury management procedures including cashflow forecasting, documentation, monitoring, reporting and division of duties.
- All Treasury management procedures and transactions are subject to inspection by internal and external auditors. The Council also employs external financial advisors to provide information on market trends, credit rating alerts, lending criteria advice and investment opportunities.

Risk: Anticipated borrowing is lower than expected because the 2020-21 capital budget is underspent.

Mitigation: Detailed cash flow monitoring.

Risk: The Coronavirus. The level of uncertainty in the future path of economic growth, unemployment, fiscal and monetary policy make it very difficult to accurately assess the impact on investments, capital spend and borrowing for the Council. The scale of impact will depend on the length of any lockdown and the depth of any recessionary impact.

Mitigation: Cash investments will be mainly held short term until the effects of the virus becomes clearer and we will continue monitoring the situation and report any changes in the next Treasury report.

## **11 Legal Appraisal**

11.1 Any relevant implication considerations are set in the report.

## **12 Other Implications**

12.1 Equality & Diversity implications – no direct implications

12.2 Sustainability implications – no direct implications

12.3 Green house Gas Emissions Impact- no direct implications<sup>2</sup>

12.4 Community safety implications- no direct implications

12.5 Human Rights Act – no direct implication

12.6 Trade Unions – no direct implications

12.7 Ward Implications – no direct implications

12.8 Implications for corporate parenting – no direct implications

## **13 Not for publications documents**

13.1 None

## **14 Recommendations**

14.1 That the report and the changes to the Treasury Management Policy, detailed in paragraph 7, be received and referred to Council for adoption.

## **15 Appendices**

Appendix 1: Prudential and treasury indicators

Appendix 2: Borrowing and investment rates

## **16 Background Documents**

Treasury Management Schedules

Treasury Management Practices

Treasury Policy

## Appendix 1: Prudential and treasury indicators

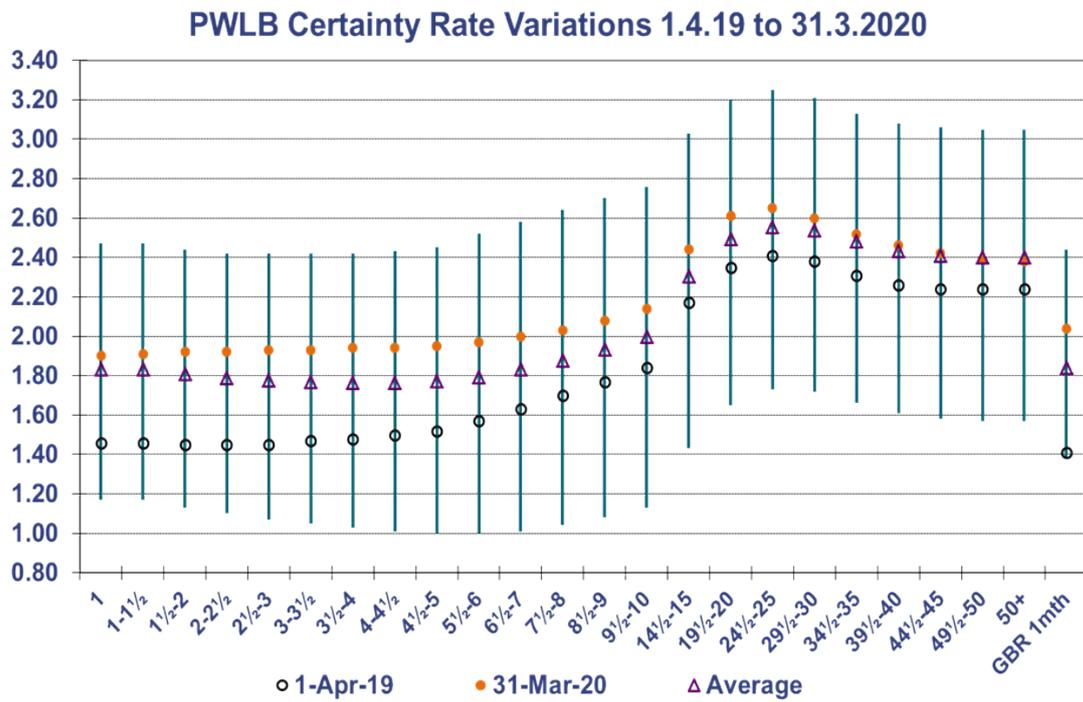
| <b>1. PRUDENTIAL INDICATORS</b>                | <b>2018/19<br/>Actual<br/>£'000</b> | <b>2019/20<br/>Estimate<br/>£'000</b> | <b>2019/20<br/>Actual<br/>£'000</b> |
|------------------------------------------------|-------------------------------------|---------------------------------------|-------------------------------------|
| Capital Expenditure                            | 84,343                              | 146,500                               | 80,620                              |
| Ratio of financing costs to net revenue stream | 9.0%                                | 14.5%                                 | 12.5%                               |
| Gross borrowing requirement General Fund       | 312,000                             | 384,000                               | 335,900                             |
| Capital Financing Requirement                  | 700,124                             | 764,000                               | 710,701                             |

| <b>2. TREASURY MANAGEMENT INDICATORS</b>        | <b>2018/19 Actual<br/>£'000</b> | <b>2019/20 Original<br/>£'000</b> | <b>2019/20 Actual<br/>£'000</b> |
|-------------------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| <b>Authorised Limit for external debt -</b>     |                                 |                                   |                                 |
| borrowing                                       | 312,000                         | 430,000                           | 335,900                         |
| other long term liabilities                     | 169,000                         | 200,000                           | 161,000                         |
| <b>TOTAL</b>                                    | <b>481,000</b>                  | <b>630,000</b>                    | <b>496,900</b>                  |
|                                                 |                                 |                                   |                                 |
| <b>Operational Boundary for external debt -</b> |                                 |                                   |                                 |
| borrowing                                       | 312,000                         | 410,000                           | 335,900                         |
| other long term liabilities                     | 169,000                         | 180,000                           | 161,000                         |
| <b>TOTAL</b>                                    | <b>481,000</b>                  | <b>590,000</b>                    | <b>496,900</b>                  |
|                                                 |                                 |                                   |                                 |
| <b>Actual external debt</b>                     | 312,000                         | 410,000                           | 335,900                         |

| <b>Maturity structure of fixed rate borrowing during 2019-20</b> | <b>upper limit</b> | <b>lower limit</b> |
|------------------------------------------------------------------|--------------------|--------------------|
| under 12 months                                                  | 20%                | 0%                 |
| 12 months and within 24 months                                   | 20%                | 0%                 |
| 24 months and within 5 years                                     | 50%                | 0%                 |
| 5 years and within 10 years                                      | 50%                | 0%                 |
| 10 years and within 20 years                                     | 90%                | 0%                 |
| 20 years and within 30 years                                     | 90%                | 0%                 |
| 30 years and within 40 years                                     | 90%                | 0%                 |
| 40 years and within 50 years                                     | 90%                | 0%                 |
|                                                                  |                    |                    |
| <b>Maturity structure of investments during 2019-20</b>          | <b>upper limit</b> | <b>lower limit</b> |
| Longer than 1 year                                               | £20m               | £0m                |

## Appendix 2: Borrowing and investment rates

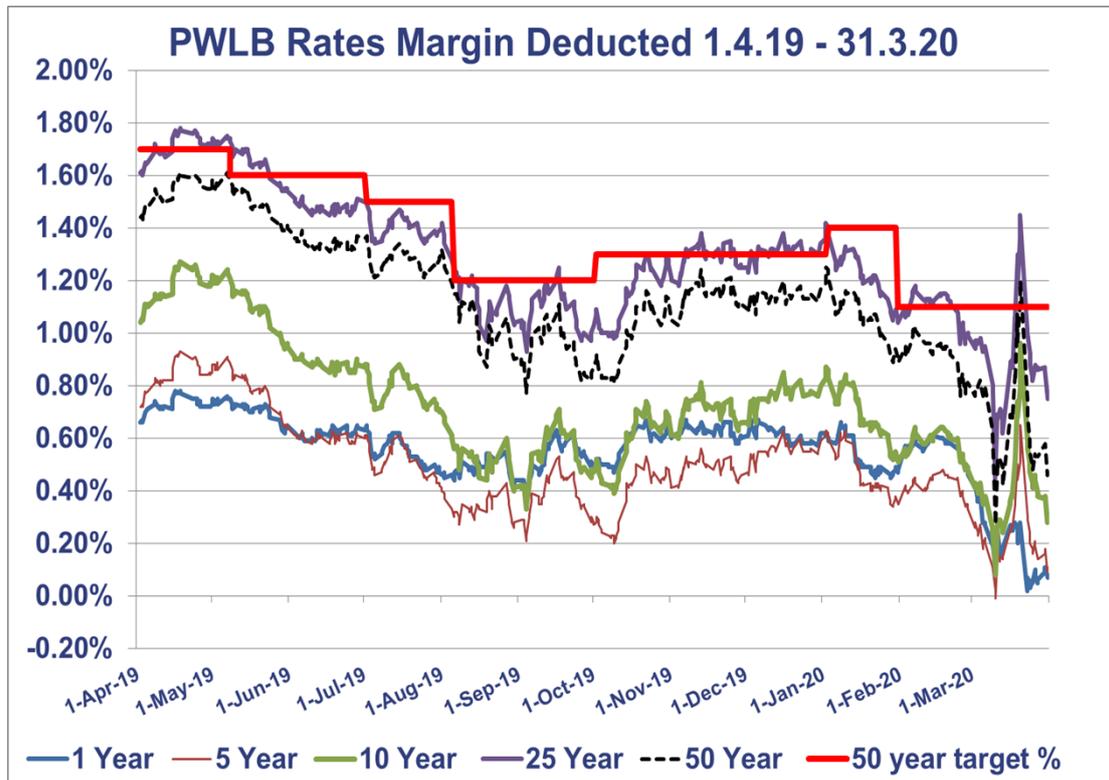
### a) PWLB borrowing rates



|            | 1 Year     | 5 Year     | 10 Year    | 25 Year    | 50 Year    |
|------------|------------|------------|------------|------------|------------|
| 01/04/2019 | 1.46%      | 1.52%      | 1.84%      | 2.41%      | 2.24%      |
| 31/03/2020 | 1.90%      | 1.95%      | 2.14%      | 2.65%      | 2.39%      |
| Low        | 1.17%      | 1.00%      | 1.13%      | 1.73%      | 1.57%      |
| Date       | 03/09/2019 | 08/10/2019 | 03/09/2019 | 03/09/2019 | 03/09/2019 |
| High       | 2.47%      | 2.45%      | 2.76%      | 3.25%      | 3.05%      |
| Date       | 21/10/2019 | 19/03/2020 | 19/03/2020 | 19/03/2020 | 31/12/2019 |
| Average    | 1.83%      | 1.77%      | 2.00%      | 2.56%      | 2.40%      |

## b) Gilt yields

The graphs and tables in Section 5 are for PWLB certainty rates. On 9.10.19, the margin over gilt yields for PWLB certainty rates was increased from 80 bps to 180 bps. The graph below shows PWLB rates less the margins added over gilt yields. This graph therefore shows more clearly the **actual movements in gilt yields** during the year on which PWLB rates are based.



|            | 1 Year     | 5 Year     | 10 Year    | 25 Year    | 50 Year    |
|------------|------------|------------|------------|------------|------------|
| 01/04/2019 | 0.66%      | 0.72%      | 1.04%      | 1.61%      | 1.44%      |
| 31/03/2020 | 0.10%      | 0.15%      | 0.34%      | 0.85%      | 0.59%      |
| Low        | 0.02%      | -0.01%     | 0.08%      | 0.45%      | 0.27%      |
| Date       | 20/03/2020 | 09/03/2020 | 09/03/2020 | 09/03/2020 | 09/03/2020 |
| High       | 0.78%      | 0.93%      | 1.27%      | 1.78%      | 1.61%      |
| Date       | 15/04/2019 | 17/04/2019 | 17/04/2019 | 17/04/2019 | 17/04/2019 |
| Average    | 0.55%      | 0.49%      | 0.72%      | 1.28%      | 1.12%      |

### c) Money market investment rates and forecasts 2019/20

|           | Bank Rate  | 7 day      | 1 mth      | 3 mth      | 6 mth      | 12 mth     |
|-----------|------------|------------|------------|------------|------------|------------|
| High      | 0.75       | 0.58       | 0.61       | 0.72       | 0.83       | 0.98       |
| High Date | 01/04/2019 | 09/05/2019 | 15/04/2019 | 01/04/2019 | 01/04/2019 | 15/04/2019 |
| Low       | 0.10       | 0.00       | 0.11       | 0.26       | 0.31       | 0.39       |
| Low Date  | 19/03/2020 | 25/03/2020 | 23/03/2020 | 11/03/2020 | 11/03/2020 | 11/03/2020 |
| Average   | 0.72       | 0.53       | 0.56       | 0.63       | 0.70       | 0.80       |
| Spread    | 0.65       | 0.58       | 0.50       | 0.46       | 0.52       | 0.59       |

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## **Report of the Strategic Director Corporate Resources to the meeting of the Governance and Audit Committee to be held on the 20th of August 2020.**

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### **Subject:**

**Amendments to the Constitution – Contract Standing Orders and Financial Regulations**

### **Summary statement:**

**This report provides members of the Council with details of the annual review of the Financial Regulations and Contract Standing Orders sections of the Council's Constitution and makes recommendations for their amendment.**

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Joanne Hyde  
Strategic Director Corporate Resources

**Portfolio:**

**Leader**

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**Overview & Scrutiny Area:**

**Corporate**

## 1. SUMMARY

- 1.1 This report provides members of the Governance and Audit Committee with details of the annual review of the Financial Regulations and Contract Standing Orders sections of the Council's Constitution and makes recommendations for their amendment.

## 2. BACKGROUND

- 2.1 During the municipal year 2019/20 Officers have undertaken their annual review of Financial Regulations and Contract Standing Orders to ensure they properly reflect appropriate governance procedures for the Council. This report sets out the proposals for amendments to deliver those changes and improvements. The Committee is asked to consider the proposed amendments to the Constitution for recommendation to Council for formal approval.
- 2.2 The City Solicitor will implement any recommendations approved by Council and make consequential amendments to the Constitution.

## 3. OTHER CONSIDERATIONS

- 3.1 There are a number of proposed changes to Contract Standing Orders, these are summarised with reasons for changes in the following table with a complete copy set out at Appendix 1:

| <b>Proposed Changes to Contract Standing Orders</b> |                                                                                                                                                                                                                            |
|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>CSO</b>                                          | <b>Summary of Changes</b>                                                                                                                                                                                                  |
| Def                                                 | Defined terms updated including Thresholds<br>Definition included on Concessions and changes to Procurement Legislation.                                                                                                   |
| 1                                                   | <b>Introduction</b><br>Introduction included describing the procurement cycle.<br>Reference to Grants being subject to the full CSO's has been removed.<br>Grants are dealt with at CSO 27.                                |
| 2                                                   | <b>Compliance with Contract Standing Orders</b><br>Inclusion of some Legal Services which have always been exempt from CSOs<br>Non Compliance log and report is referenced                                                 |
| 3                                                   | <b>Social, Economic, Environment and Ethical Considerations</b><br>Typographical errors corrected                                                                                                                          |
| 4                                                   | <b>Procurement Plans</b><br>New CSO (but the principle is taken from previous CSOs) on obtaining procurement plans and the intention of publishing them on the Council website.                                            |
| 5                                                   | <b>In House Services and Existing Arrangements</b><br>New CSO on existing contractual arrangements<br>Reference to payment via PCard has been removed as PCard is a transactional process not an alternate route to market |
| 6                                                   | <b>Estimating Contract Values</b>                                                                                                                                                                                          |

|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | New CSO based on aggregating Value                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 7  | <b>Pre-Procurement Requirements</b><br>Re-structured the clause so it is clearer what is required prior to commencing procurement activity.<br>Note about use of Prior Information Notices (PINs) included.<br>Financial Checks section has been moved to CSO 19                                                                                                                                                                                                                                                                                                       |
| 8  | <b>Framework Agreements and Dynamic Purchasing Systems (DPS)</b><br>New CSO on due diligence required when using a framework agreement or DPS and also when establishing the Council's own framework agreement and DPS'.                                                                                                                                                                                                                                                                                                                                               |
| 9  | <b>Concession Contracts</b><br>Reference that advice must be sought when considering these types of contracts.                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 10 | <b>Contracts up to £24,999</b><br>Low value CSO to focus on the use of local suppliers under the duty of best value rather than a prescribed procedure.<br>Officers must keep a record of their decision making to meet transparency obligations.                                                                                                                                                                                                                                                                                                                      |
| 11 | <b>Contracts between £25,000 and £189,329 (EU Threshold for Supplies and Services)</b><br>Removal of the differentiation between above and below £100k (four or six quotes) – the new requirement is 4 local quotes within this threshold.<br>Made a differentiation between restricted and closed procedures at this value level so not to confuse the process with higher value procedures.<br>Section added about relevant and proportionate suitability assessment questions when assessing suppliers experience, capability and capacity at this value threshold. |
| 12 | <b>Light Touch Regime Contracts Valued £189,330 to the Light Touch Regime (LTR) Threshold, Concession Contracts Valued £189,330 to the Concession EU Threshold, Works Contracts Valued £181,330 to the Works EU Threshold</b><br>Acknowledges that there is a 'grey' area between the supplies threshold and works, LTR, concession threshold and describes the procedure required.                                                                                                                                                                                    |
| 13 | <b>All Contracts valued above the EU Threshold</b><br>Updated in line with proposed CSO 12.                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 14 | <b>Procurement Procedures</b><br>Adds more detail on LTR procurements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 15 | <b>Submitting and Opening Tenders and Quotations.</b><br>No change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 16 | <b>Evaluation</b><br>New CSO on Officer requirements when evaluating tenders                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 17 | <b>Errors in Tenders and Quotations</b><br>No change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 18 | <b>Post Tender and Quotation Negotiations</b><br>Clarity provided around not negotiating above the relevant EU threshold after Final Tenders.                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 19 | <b>Approval and Acceptance of Tenders and Quotations</b><br>New CSO requiring that a tender evaluation report is produced for every procurement above the relevant EU threshold or £2million (whichever is lower) – signed off by the Head of Procurement in order to assess any                                                                                                                                                                                                                                                                                       |

|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | <p>procurement risk prior to notification letters being issued to tenderers. Details also included as to what the content of notification letters should be.</p> <p>Financial checks on suppliers has been included at this CSO</p>                                                                                                                                                                                                                                                                                                                                                        |
| 20 | <p><b>Exceptions</b><br/>Exception reasons have been edited.</p> <p><b>Deleted</b><br/>The Exception for using in-house services as this is a compliant route to market.<br/>The requirement for Exceptions below £25k as this is a compliant route to market.<br/>The Exception for using a consortium procurement as this is a compliant route to market.</p> <p><b>Added</b><br/>An exception for unique works of art<br/>An exception to extend a contract to allow for a re-procurement<br/>An exception to allow for using a supplier that is specifically required by a funder.</p> |
| 21 | <p><b>Contract Extensions, Variations, Novation or Termination</b><br/>Drafting of the language has been clarified. Closer link to Regulation 72 of the Public Contracts Regulations which deals with substantial modifications of contracts.</p>                                                                                                                                                                                                                                                                                                                                          |
| 22 | <p><b>Written Contracts</b><br/>All contracts above £2m are sealed.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 23 | <p><b>Professional Services, Consultants and Intermediary Employment</b><br/>No Change</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 24 | <p><b>Contract Conditions</b><br/>Emphasis placed on consultation before entering in to contract.<br/>Framework Agreements and DPS' added to the exclusion list due to new CSO8 about Framework / DPS due diligence.</p>                                                                                                                                                                                                                                                                                                                                                                   |
| 25 | <p><b>Contract Management</b><br/>No change</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 26 | <p><b>Lease and Other Credit Arrangements</b><br/>No change</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 27 | <p><b>Grants</b><br/>Grants are dealt with here – must follow the principles of these CSOs not the entire procedures of CSO</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 28 | <p><b>Payment Outside of Standard Procure to Pay Procedures</b><br/>Caveat about up front payment where it is industry practice.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 29 | <p><b>Claims</b><br/>No Change</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 30 | <p><b>Contracts Where Members Have an Interest</b><br/>No Change</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

3.2 There are a few proposed changes to Financial Regulations, set out as ‘track changes’ in Appendix 2, these are summarised with reasons for changes in the following table:

| <b>Proposed Changes to Financial Regulations</b> |                                                                                                                                                                                      |
|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Section                                          | Reason                                                                                                                                                                               |
| 1.10                                             | Added to ensure clarity for officers that the budget is approved by full council.                                                                                                    |
| 2                                                | Heading changed for clarity.                                                                                                                                                         |
| 3.2                                              | Amended for clarity.                                                                                                                                                                 |
| 7.1                                              | Amended to be consistent with 8.2. This role can be carried out by the Strategic Director Corporate Resources and the Chief Financial Officer.                                       |
| 8                                                | Amended heading to clarify that this section relates to Strategic Investments and not treasury management or WYPF investments.                                                       |
| 13.1                                             | Amended for clarity.                                                                                                                                                                 |
| 14.1                                             | Amended for clarity.                                                                                                                                                                 |
| 15.3                                             | The responsibility for this role lies with the Chief Financial Officer not the Strategic Director Corporate Resources.                                                               |
| 16.2 (new)                                       | This regulation has been added to clarify to Officers that irrespective of how a capital investment proposal is funded it must fit the capital programme and maximise grant funding. |
| 16.3 (previously 16.2)                           | Added to differentiate the process between capital/non capital funded projects and some corrections in terminology.                                                                  |
| 18.6                                             | Change from "nominate" to "delegate" and extend the range of staff to the Department of Corporate Resources so that it covers staff in Revenues, Benefits and Payroll.               |
| 18.7                                             | Change from "nominate" to "delegate".                                                                                                                                                |
| 19.1                                             | Sterling limit reduced to £8,400 due to change in exchange rate (at the time of writing).                                                                                            |

#### **4. FINANCIAL & RESOURCE APPRAISAL**

4.1 There are no financial issues arising from this report.

#### **5. RISK MANAGEMENT AND GOVERNANCE ISSUES**

5.1 The proposed recommendations are offered to improve the Council's finance and procurement related processes and provide rules to limit risk to the Council.

#### **6. LEGAL APPRAISAL**

6.1 Article 17 of the Constitution requires the Monitoring Officer to take steps to make himself/herself aware of the strengths and weaknesses of the Constitution and make recommendations for improvement.

6.2 The review and development of the Constitution is undertaken in compliance with the provisions of the Local Government Act 2000, regulations and guidance made and issued under the Act.

- 6.3 The review of the Council Standing Orders upholds the obligation placed on the Council by s135 of the Local Government Act 1972.
- 6.4 The Council will ensure that any updates to the Council Contract Standing Orders shall be compliant with all procurement legislation including the Public Contracts Regulations 2015.

## **7. OTHER IMPLICATIONS**

- 7.1 There are no implications in relation to the following:
- Equality and Diversity
  - Sustainability
  - Greenhouse Gas Emissions
  - Community Safety
  - Human Rights Act
  - Trade Unions
  - Ward Implications
  - Area Committee Action Plans
  - Corporate Parenting
  - Privacy Impact Assessments

## **8. NOT FOR PUBLICATION DOCUMENTS**

- 8.1 There are no 'not for publication' documents for this report.

## **9. OPTIONS**

- 9.1 The recommended option is for Members of the Governance and Audit Committee to recommend the proposed changes to Contract Standing Orders and Financial Regulations set out in this report for approval to the Council to support improvements in the organisation's finance and procurement processes and procedures.
- 9.2 Member of the Governance and Audit Committee may wish to accept some of the proposed recommendations and, or make their own recommendations.
- 9.3 The 'do nothing' option is not recommended as the proposed changes have been put forwards to support improvements in the Council's finance and procurement processes and procedures.

## **10. RECOMMENDATIONS**

- 10.1 That option 1 be accepted and the proposed changes to Contract Standing Orders and Financial Regulations be accepted and recommended to Council to support improvements in the organisation's financial and procurement processes and procedures.

## **11. APPENDICES**

Appendix 1: Proposed Contracts Standing Orders 2020/21

Appendix 2: Proposed Financial Regulations with track changes 2020/21

## **12. BACKGROUND DOCUMENTS**

There are no background documents to this report.

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## PART 3G Contract Standing Orders 2020/21

### Definitions

- 'Appropriate Officer' is the Chief Executive, Strategic Directors, Director, City Solicitor, the Chief Financial Officer (S151 Officer) or any other Officer designated by resolution of the Executive.
- 'Authorised Officer' is any Officer permitted by an Appropriate Officer to authorise orders and Contracts as per clause 2.5.
- 'Best Value for Money' is the optimum combination of whole life costs, quality and benefits, including economic, environmental and social value to meet the customer's requirement.
- 'Bradford District' is the geographical area administered by the Council.
- 'Call Off' is a separate purchase from an existing Framework Agreement that creates a binding Contract.
- 'Concession Contract' means Contracts for pecuniary interest, where the consideration is either; that the Supplier has the right to exploit the works / services that are the subject of the Contract, or where the Supplier has that right together with some payment from the Contracting Authority.
- 'Contract' means a formal agreement between the Council and any Supplier for:
  - the supply of works, goods or services including consultants
  - a call-off from a framework agreement
  - an arrangement where no payment is made but there is financial value to the Supplier e.g. a catering concession

For the purposes of these Contracts Standing Orders this definition does not include employment and property Contracts or grant agreements.

- 'Contracting Authorities' mean the State, regional or local authorities, bodies governed by public law, associations formed by one or several of such authorities or on or several of such bodies governed by public law.
- 'Contracts Finder' is the government portal for information on public sector Contracts
- 'Contract Value' is, for works, goods or services the total monetary value over the full duration, including any extension options (not the annual value). For concession Contracts, or other Contracts with low, or nil cost to the Council the total pecuniary value must be considered.

- 'Contracts and Grants Register' the Council's database of all Contracts, commissioned activity, purchase orders, Framework Agreements, and other legally enforceable agreements with a value of £5,000 and above and grants of any value.
- 'Controlled Entities' a subsidiary company of the Council where the Council exercises control similar to that over its own departments, the subsidiary carries out at least 80% of its activity for the Council and there is no direct participation of private capital.
- 'Corporate Contract' is an agreement procured in consultation with and for the benefit of more than one Council department. More details can be found on Bradnet.
- 'Council' means the City of Bradford Metropolitan District Council.
- 'DPS or Dynamic Purchasing System' is an electronic procurement process for commonly used purchases that are generally available and is open throughout the Contract period to any new supplier that meets the selection criteria.
- 'Electronic Auction' is a procurement process whereby suppliers who have submitted admissible tenders can revise their original prices or values during the period of the auction.
- 'EU Thresholds' the financial threshold at which the Procurement Legislation are applicable.
  - As of 1<sup>st</sup> January 2020 these are:
    - Works - £4,733,252 and
    - Goods - £189,330.
    - Service - £189,330
    - Social and Other Specific Services (subject to the Light Touch Regime) - £663,540.
    - Concessions - £4,733,252
- 'Exception Log' a record held by the Chief Financial Officer of all Contracts valued at £25,000 and above awarded without competition because the Contract meets one or more of the requirements listed in CSO 20.1.
- 'Framework Agreement' an agreement which sets out the terms and conditions under which the Council can make specific purchases ("Call-Off") from a Supplier(s) to provide services, goods or works at agreed standards and prices. If the Council calls off services, goods or works from the Supplier then a binding Contract is formed.
- 'Grant' for the purposes of these Contracts Standing Orders means a formal agreement giving financial assistance to an individual or organisation to assist in meeting its general purpose or objectives but where the specific supply of goods, works or services is not required in return. There should be award criteria,

performance targets and conditions on how the money is spent and Officers should monitor these in accordance with the terms of the grant agreement.

- 'Light Touch Regime' applies to social and other specific services as listed in Schedule 3 of the Procurement Legislation.
- 'Local Supplier' is any supplier that provides works, goods or services from a location within the Bradford District or where a substantial number of any employees working directly on the Contract are resident in the Bradford District.
- 'Officer' means employee(s) of the Council.
- 'OJEU' is the Official Journal of the European Union which is the publication in which all tenders from the public sector above relevant EU Thresholds must be published.
- 'Procurement Legislation' means the EU Public Contracts Directive (2014), the Public Contracts Regulations 2015 which implement the Directive in UK Law, and any subsequent statutory amendment or re-enactment, or subordinate legislation that may be in place from time to time.
- 'Public Service Mutual' an organisation which has left the Council parent body but continues to deliver public services. Mutuals are organisations in which employee control plays a significant role in their operation.
- 'Quotation' a formal written offer to execute works, or provide services or goods at a stated price
- 'Sheltered Workshop' an organisation that employs a proportion of disadvantaged or disabled workers which allows the supplier to be eligible to bid for certain types of Contracts which can be specifically reserved to organisations meeting the criteria.
- 'SIRO' Senior Information Risk Owner is the person with overall accountability and responsibility for information governance.
- 'Supplier' an individual or organisation that Contracts with the Council to provide works, goods or services.
- 'Tender' a formal written offer to execute works, or provide services or goods at a stated price
- 'TUPE' means the Transfer of Undertakings (Protection of Employment) Regulations 2006.
- 'Whole Life-Cycle Costs' is an estimate of the total costs of works, goods or services over their life. It is a combination of the purchase price, implementation and operating costs, procurement and Contract management costs, disposal costs less any residual value.

- 'YORtender' is the procurement portal used by the Council ([www.yortender.co.uk](http://www.yortender.co.uk))

### **1 Introduction**

- 1.1 The purpose of Contract Standing Orders is to set clear rules by which the Council spends money on works, goods and services. The rules apply to any Contract entered into by the Council. The procurement process covers the full life cycle of activities starting with the identification of need, through to evaluation, purchasing and contract management. Procurement can range from purchasing day to day commodities to purchasing key strategic items such as large capital assets, or commissioning a service or buying an entire service.
- 1.2 Public procurement must be undertaken in accordance with principles enshrined in Procurement Legislation. The Council must always act to promote competition and to ensure that each procurement is conducted as an open, transparent and fair competition. The Council must avoid practices which may restrict or distort competition.
- 1.3 All values quoted in these Contract Standing Orders are exclusive of recoverable Value Added Tax (VAT).
- 1.4 Any dispute or difference as to the interpretation of these Contract Standing Orders shall be resolved by the City Solicitor.
- 1.5 The Chief Financial Officer shall undertake a formal review of Contract Standing Orders on an annual basis which will be reported to the Governance and Audit Committee.

### **2 Compliance with Contract Standing Orders**

- 2.1 Failure to comply with these Contract Standing Orders can result in disciplinary action against the Officers concerned.
- 2.2 Every Contract made by or on behalf of the Council for works, goods and services and all Council employees engaged to act in any capacity to manage or supervise a Contract must comply with;-
  - Procurement Legislation
  - All relevant statutory provisions including the Public Contracts Regulations 2015, competition law and public services acts (e.g. Social Value, Care Act 2014)
  - The Council's Constitution including these Contract Standing Orders, the Council's Financial Regulations and the Council's Procurement Policies
  - The Council's strategic objectives and policies
- 2.3 All Council Officers and organisations engaged on the Council's behalf shall ensure that all procurement activity is undertaken with regard to high standards of probity and in a manner which avoids any conflicts of interest. The Council's Employee Code of Conduct must be followed at all times.

- 2.4 In applying these Contract Standing Orders, all Officers shall have regard to the duty of Best Value For Money under the Local Government Act 1999.
- 2.5 An Appropriate Officer may permit, with limitations, other Officers to authorise orders and Contracts in their own names on behalf of the Council. Any orders or Contracts made shall remain the responsibility of an Appropriate Officer. Appropriate Officers must maintain an up to date record of Authorised Officers and submit a copy of the list to the Chief Financial Officer on an annual basis at the commencement of the financial year.
- 2.6 The Chief Financial Officer may delegate some, or part of their responsibilities set out in these Contract Standing Orders to Officers in their service area. A written record of this delegation should be kept for transparency and audit purposes.
- 2.7 All orders for works, goods or services must be placed using the Council's approved systems in advance of the invoice being received and coded to the appropriate account codes.
- 2.8 Miscellaneous payments must only be used where the payment is not as a result of a purchase (for example a refund or grant payment). Miscellaneous payments must not be used to:
- Pay suppliers for works, goods or services (including fees in relation to consultancy work and training), or
  - To reimburse employee expense claims or petty cash purchases
- 2.9 Non-compliance with Council's procedures and processes for the use of its requisition, ordering and payment systems may result in the Chief Financial Officer removing Officer access.
- 2.10 These Contract Standing Orders must be used, other than in exceptional circumstances which must be authorised by either:
- 2.10.1 The Executive; or
- 2.10.2 The Chief Financial Officer and the City Solicitor.
- after considering a report by an Appropriate Officer. The Appropriate Officer must retain written reasons of the decision.
- 2.11 Authorisation under Standing Order 2.10.2 will be reported to Governance and Audit Committee on a quarterly basis.
- 2.12 All Appropriate Officers are responsible for ensuring compliance by their staff and shall report all breaches to the Chief Financial Officer. All instances of non-compliance will be recorded by Procurement Services and be reported to Strategic Directors on a quarterly basis.
- 2.13 These Contract Standing Orders **do not** apply in relation to the procurement of legal services in respect of a specific matter for the purposes of

- Arbitration conciliation;
- Judicial proceedings before the courts;

However, no such legal services shall be procured without the approval of the City Solicitor.

### **3 Social, Economic, Environmental and Ethical Considerations**

- 3.1 In formulating proposals for a Contract, the Authorised Officer must consider the Public Services (Social Value) Act and follow requirements set out in the Council's Social Value and Inclusive Growth Policy.
- 3.2 Where appropriate and always subject to Procurement Legislation, the Authorised Officer should ensure that all requests for Tenders or Quotes are framed in such a way as to encourage Local Suppliers, small and medium sized companies (SME's) and third sector organisations such as social enterprises to bid. This may include dividing the Contract into lots.

### **4 Procurement Plans**

- 4.1 After Council has agreed the Council's budget and before commencement of the financial year the Authorised Officer must prepare and maintain an annual procurement plan for all procurements of works, goods or services to be undertaken in the forthcoming financial year.
- 4.2 Procurement plans must be sent to the Chief Financial Officer in order that they can publish a Council wide procurement plan on the Council's website prior to the start of the financial year.

### **5 In-House Services and Existing Arrangements**

- 5.1 In all instances the procurement of works, goods or services should be done through existing approved arrangements where they exist. These include:

#### **5.1.1 In-house provision**

##### **5.1.1.1.**

Where the Council has an in-house provision and the estimated Contract Value is less than the relevant EU Threshold external suppliers can only be used when the Appropriate Officer providing such in-house provision confirms that they are unable to meet the requirements on that occasion due to insufficient resources, skills or capacity

##### **5.1.1.2**

If the estimated Contract Value is more than the relevant EU Threshold the Appropriate Officer providing such in-house service may also be required to clearly demonstrate that they provide Best Value for Money.

#### **5.1.2 Corporate Contracts, Framework Agreements or DPS awarded by the Council**

### 5.1.2.1

The use of Council Corporate Contracts / Framework Agreements /DPS awarded by the Council shall be mandatory for all works, goods and services that have been included in the scope of those arrangements.

- 5.2 Information relating to the above arrangements will be published regularly on Bradnet.
- 5.3 Where an existing arrangement or in-house service exists and the Officer is seeking to procure outside of these arrangements, the Authorised Officer is required to maintain a documented audit trail to demonstrate the correct approval has been obtained to procure outside of these arrangements.
- 5.4 Other arrangements should be considered and used where it can be evidenced that they provide Best Value for Money:
- Contracts, Framework Agreements or DPS established by central purchasing bodies (Crown Commercial Services, YPO etc.) or other public bodies
  - Collaborative or shared service arrangements with another public body
  - Alternative delivery vehicles such as Controlled Entities or Public Service Mutuals
  - Sheltered Workshops

## 6 Estimating Contract Values

- 6.1 The method for determining the estimated total value of a Contract / income Contract, should be based on the total amount (net of VAT) which the Council expects to pay and / or any other forms of remuneration the Council, Contractor (or a third party) will receive by operation of the Contract over the term of the Contract. Such calculation must include, where relevant any maintenance and on-going support costs. (Example calculation: Estimated Contract Value = (Annual Cost + other forms of remuneration) x Contract Length)).
- 6.2 In determining the value of a Contract, the Council must also include the potential value of any options to extend that may be built into the Contract and take into consideration the value of all lots where the Contract is going to be broken into lots.
- 6.3 When determining the value of a Framework Agreement the anticipated value of all spend through that Framework Agreement including the spend of any other Contracting Authorities who are able to access the Framework Agreement must be taken into consideration.
- 6.4 Officers must ensure that estimated values are **not** disaggregated in an attempt to avoid the applicability of these Contract Standing Orders. Requirements must be calculated based on all Council spend (i.e. the corporate requirement rather than an individual service areas need)

- 6.5 Where a proposed procurement includes two or more types of provision (i.e works, goods or services) the procedure followed shall be based on the provision that characterises the main subject of the Contract in question.

## 7 Pre-Procurement Requirements

- 7.1 All procurement processes and documentation will be proportionate to the total value of the Contract and the nature of the works, goods or services.
- 7.2 Before commencing procurement activity for Contracts valued at £25,000 and above the Authorised Officer must undertake the following:

### 7.2.1 **Report to Overview and Scrutiny Committee Contracts valued £2m and above**

For Contracts with a total estimated value of £2m and above report details to the relevant Overview and Scrutiny Committee using the standard Committee report template. Reports are to be taken at an early stage once Officers have a draft procurement strategy and specification to allow members to consider matters. For clarity, details of call-off Contracts from a Framework Agreement or DPS do not need to be separately reported providing the original Framework Agreement or DPS has been reported except where the relevant Overview and Scrutiny Committee request a separate report.

### 7.2.2 **Market Engagement**

Carry out, where appropriate, pre-procurement engagement with the market (including talking to suppliers, clients and other stakeholders) to understand the availability, strengths and weaknesses of markets and to develop the specification and the Best Value for Money procurement and contractual approach. Pre-engagement with the market must be done in such a way that ensures the subsequent procurement process remains open, fair and transparent with no Supplier gaining an unfair advantage which would distort competition.

7.2.2.1 Advice must be sought from Procurement Services where it is proposed to use a Prior Information Notice (P.I.N.)

### 7.2.3 **Route to Market**

Consider the most appropriate route to market including whether a Framework Agreement, DPS or Electronic Auction is appropriate and would deliver Best Value for Money seeking advice from the Head of Procurement where necessary

### 7.2.4 **Specification Development**

Be satisfied that a written and clear specification has been prepared which will form the basis of the Contract.

### 7.2.5 **Risk Assessment**

For all Contracts with an estimated Contract Value of more than the EU Threshold for goods and services, or where there is a significant supply

risk (identified using a procurement risk assessment form available on Bradnet) a documented risk log must be maintained by Officers.

7.2.5.1 Any Officer conflict of interests should be dealt with as part of the risk assessment process.

### 7.2.6 **Equality and Diversity Implications**

Consider at the outset any equality and diversity implications that may require an equality impact assessment to be undertaken

### 7.2.7 **Service Transfer or Strategic Partnership Development**

Before commencing any process for procuring Contracts which involves a proposed service transfer or the development of a strategic partnership, the Authorised Officer must consult the Chief Financial Officer.

### 7.2.8 **TUPE implications**

Consider at the outset any TUPE implications and schedule in seeking relevant legal and HR assistance

### 7.2.9 **Data Protection**

Identify all Contracts involving the processing of personal data, information security or data processing implications that may require additional schedules or terms and conditions considering the General Data Processing Regulation, the Data Protection Act, and the need to notify the SIRO

### 7.2.10 **Social Value**

Consider at the outset any implications from the Social Value Act in accordance with the Council's Social Value and Inclusive Growth Policy

### 7.2.11 **Whole Life Costings**

Prepare and document an estimate of the whole life-cycle costs including where appropriate any on-going costs and/or disposal costs and ensure that the cost is within the approved current and future budget provision for both capital and revenue expenditure

### 7.2.12 **Evaluation Criteria**

Ensure that all evaluation criteria including sub-criteria have been determined in advance, put in order of relative importance or weighting and published in the tender documentation. Selection criteria must be relative and proportionate following statutory guidance issued by the Secretary of State. Details of any financial assessment to be undertaken (CSO 19.8) and the form of contract to be applied (CSO 22) must be included in the tender documentation.

### 7.2.13 **Electronic Documentation**

Ensure that electronic versions of all the appropriate and approved forms of procurement documentation is available through an internet portal immediately on publication of any advert

- 7.3 Authorised Officers are responsible for arrangements to ensure the proper control and use of Council ordering and contracting procedures, in accordance with guidance issued by the Chief Financial Officer and the City Solicitor.
- 7.4 All procurement activity must be undertaken using the Council's standard template documentation unless prior approval has been obtained from the Head of Procurement.

### **8 Framework Agreements and Dynamic Purchasing Systems**

#### **8.1 Call-Off Arrangements**

- 8.1.1 Where a Call-Off is proposed under an existing Framework Agreement or DPS that has been established by a consortium, collaboration, purchasing organisation or other public body, the Council may consider using this Framework Agreement or DPS if;
  - a. The Framework Agreement or DPS has been established by an entity, and via a process, which permits the Council to access those arrangements lawfully;
  - b. It is in the best interest of the Council to access the Framework Agreement or DPS, representing clear Best Value for Money, which must be documented for audit purposes.
- 8.1.2 Before undertaking a Call-Off under any Framework Agreement or DPS, thorough due diligence should be undertaken and advice sought from Procurement Services to confirm it is able to be used and whether it is appropriate to use it.
- 8.1.3 Call-Offs must be awarded based on the criteria identified in the Framework Agreement or DPS.
- 8.1.4 Where a Call-Off is undertaken via a direct award process (which is prescribed in the Framework Agreement), the Contractor must be requested in writing to supply a written submission, that is verified to confirm it can meet the requirements of the Council in accordance with the terms and conditions and pricing established in the Framework Agreement in advance of entering into a Contract unless otherwise prescribed in the Framework direct award call-off procedure.
- 8.1.5. Subject to the due diligence confirming the suitability of the Framework Agreement or DPS, it can be used as a potential route to market without going down one of the procedures outlined at CSO 10 to 13

## 8.2 Establishing a Framework Agreement / DPS

- 8.2.1 Where the Council is establishing a Framework Agreement or DPS which may be accessed by other Contracting Authorities the estimated Contract Value must take account of all potential work that may be put through the agreement and follow the procedures set out in these Contract Standing Orders.
- 8.2.2 If the Council is establishing a Framework Agreement or DPS in accordance with CSO 8.2.1 reference must be made within the procurement documents explaining that the Framework Agreement or DPS is intended for wider use, and advice should be sought from the City Solicitor's Office to ensure the terms upon which other Contracting Authorities access those arrangements are clear and offer appropriate protection to the Council.
- 8.2.3 In establishing a Framework Agreement, the total duration (including any extensions) cannot exceed four years except in exceptional circumstances relating to the subject matter of the Framework Agreement. Any proposal to establish a Framework Agreement with a duration exceeding four years should be referred to the Head of Procurement for advice.
- 8.2.4 Where, taking in to account the above, the estimated value of the Framework Agreement or DPS is estimated to be above the relevant EU threshold, the Authorised Officer must ensure that the names of the other public bodies are included in the OJEU notice either individually or by identifiable class.
- 8.2.5 In establishing a Framework Agreement or DPS, the Council must ensure that the terms of the Framework Agreement or DPS make the process by which Contracts under the Framework Agreement or DPS are entered into, and the terms under which they will be entered, is explicitly clear.

## 9 Concession Contracts

- 9.1 If the Authorised Officer is considering entering into an arrangement which could constitute a Concession Contract, early advice must be sought from Procurement Services and the City Solicitor.

## 10 Contracts valued up to £24,999

- 10.1 These Contract Standing Orders in general do not apply to Contracts with an estimated value of up to £24,999. However, this CSO 10, and the Contract Standing Order with regards to in-house and established Corporate Contracts referred to at CSO 5 **do apply**.
- 10.2 The Authorised Officer must be able to demonstrate Best Value for Money and **must use Local Suppliers** wherever possible. All Quotations must be in writing.
- 10.3 To comply with the Local Government Transparency Requirements, details of all Contracts awarded of £5,000 and above must be recorded on the Council's

procurement portal, YORtender and on the Contracts and Grants Register. Officers shall retain a written record of actions taken and the reasons using the pro-forma template available on Bradnet.

- 10.4 Pro-forma should be completed and details recorded on YORtender and the Contracts and Grants Register prior to a purchase order being created.

**11 Contracts between £25,000 and £189, 329 (EU Threshold for Goods and Services)**

- 11.1 Contracts that are estimated to be for amounts between £25,000 and £189,329 must be let on a competitive basis on YORtender. The Authorised Officer must determine the most appropriate procedure to undertake.

- 11.2 The Authorised Officer must either:

11.2.1 use a closed procedure inviting a minimum of four suppliers registered on YORtender including inviting Local Suppliers wherever possible, or

11.2.2 use an open procedure advertising the opportunity to the open market using both YORtender and Contracts Finder

- 11.3 When using the closed procedure, if the minimum number of Tenders cannot be obtained owing to insufficient suitable Suppliers prepared to tender, then the Authorised Officer must keep a record of this.

- 11.4 No pre-qualification questionnaire is permitted during the procurement. Suitable assessment questions to assess eligibility are part of the Council's template procurement documents and can be used as part of the overall quality evaluation. Suitability Assessment Questions may only be included within the procurement where they are

- a) Relevant to the subject matter of the procurement; and
- b) Proportionate

- 11.5 Only the winning bidder(s) will be required to submit certificates and documents as evidence of their legal and financial standing and technical or professional ability in addition to specific requirements relating to insurance, health and safety, equality, environmental management etc.

**12 Light Touch Regime Contracts Valued £189,330 to the Light Touch Regime EU Threshold, Concession Contracts Valued £189,330 to the Concession EU Threshold, Works Contracts Valued £189,330 to the Works EU Threshold**

- 12.1 The procurement of Contracts for the provision of Light Touch Regime Services, Concession Contracts and Contracts for works with a value between £189,330 and the relevant EU threshold may be undertaken in accordance with procurement procedures as outlined in CSO11.

- 12.2 Procurement of any such Contracts must, however, be let on a competitive basis, which is advertised to the open market, through YORtender and on Contracts Finder.
- 12.3 The most common procedures to be used for Contracts within these thresholds are processes broadly equivalent to the Open and Restricted procedures set out in the Procurement Legislation. Where consideration is given to any other procedure then early advice must be sought from the Head of Procurement.

### **13 All Contracts valued above the EU Threshold**

- 13.1 Where the Contract Value is likely to exceed the relevant EU threshold it must be tendered in accordance with the relevant Procurement Legislation, unless it will be procured through an existing Framework Agreement or DPS agreement that has been established via a compliant EU procurement process.
- 13.2 Suppliers must be appointed by one of the procedures under CSO 14.
- 13.3 All Tenders must be advertised on the YORtender system and Contracts Finder. Standard template documentation must be used
- 13.4 All Tenders above the relevant EU Threshold must be advertised in the OJEU.

### **14 Procurement Procedures**

- 14.1 The **open procedure** under which all those interested may respond to the advertisement by submitting a Tender. This is often the most expedient system and enables all of the Suppliers in the market that wish to engage in the process to submit a Tender. There is no pre-qualification or short-listing stage prior to invitation to tender (ITT).
- 14.2 The **restricted procedure** under which a selection process is made of those who respond to the advertisement and only they are invited to submit a Tender. This procedure can only be used for tenders above the EU Threshold for goods and services.
- 14.3 The following procedures apply to more strategic, complex or high value projects and must be done in consultation with the Head of Procurement as there are limited circumstances under which these processes can be used.
- 14.4 The **competitive dialogue procedure** under which a selection is made of those who respond to the advertisement and the Council enters into dialogue with potential bidders to develop one or more suitable solutions on which the chosen bidders submit a Tender. This can be used where the Contract is complex and cannot be purchased “off the shelf”.

- 14.5 The **competitive procedure with negotiation** under which a selection is made of those who respond to the advertisement and only they are invited to submit a Tender. The Council may then open negotiations to seek improved offers.
- 14.6 The **innovation partnership procedure** under which a selection is made of those who respond to the advertisement and the Council uses a negotiated approach to invite suppliers to submit innovative ideas to meet a need where there is no suitable existing “product” on the market. The partnership can be awarded to more than one supplier.
- 14.7 For Contracts for Social and Other Specific Services subject to the Light Touch Regime Authorised Officers have more freedom to design a procurement procedure that is broadly comparable to the procedures described in CSO14. Consideration should be given to the Cabinet Office’s guidance on procurement under the Light Touch Regime. The Head of Procurement must be consulted and the Authorised Officer must ensure that principles of transparency and equal treatment are observed.
- 14.8 The procedure to be undertaken as identified in this CSO 14 must be explained from the outset in the request for Tender and adhered to throughout.

### **15 Submitting and Opening Tenders and Quotations**

- 15.1 Every invitation to tender or request for a quotation must state that a Tender or Quotation will only be considered if it is received by the specified closing date and time via YORtender, or for quotes below £25,000, at the specified date and time.
- 15.2 All Tenders or Quotations for each Contract must be opened by the Officer appointed by the Authorised Officer at a prescribed time.
- 15.3 The Authorised Officer must keep a record of all Tenders and Quotations.
- 15.4 The Authorised Officer shall after consultation with the Head of Procurement disqualify a Tender or Quotation which fails to comply with the requirements of this Contracts Standing Order (15.1) and must inform the bidder or Quotation provider, as soon as possible, stating the reason for the disqualification.

### **16 Evaluation**

- 16.1 An evaluation panel must be convened for all evaluation processes undertaken. Representation on the panel must be from people who have knowledge of the subject area and be proportionate to the size and value of the procurement being undertaken.
- 16.2 For all Contracts, regardless of value, no person with a personal or financial interest in any of the bidders submitting a proposal should be involved in

evaluating Tenders or involved in any way in influencing the decision as to which bidder is to be awarded a Contract. A declaration of interest form must be completed prior to the commencement of the evaluation process and held on file by the Authorised Officer.

- 16.3 The evaluation of tenders **must** be in accordance with the evaluation criteria specified in the original tender documents. Under no circumstance should there be a deviation away from this.
- 16.4 Where a bidder submits a qualified or conditional tender, they must be given the opportunity to withdraw the qualification or condition without amendment to the bid submitted. If a bidder fails to do so their bid must be rejected unless it is dealt with as an alteration to their submission in accordance with CSO 17 below.
- 16.5 Where a Tender received appears to be abnormally low, the Council is under a statutory duty to request that the bidder concerned provides a full and detailed response to explain the price / cost proposed. Identifying and dealing with abnormally low bids shall be the responsibility of the Authorised Officer. The Council may reject an abnormally low bid, where the justification doesn't satisfactorily account for the low level of price. Where consideration is being made to the rejection of a bid on these grounds advice must be sought from the Head of Procurement and City Solicitor.

### **17 Errors in Tenders and Quotations**

- 17.1 Prior to acceptance of any Tender or Quotation received, any arithmetic error or other minor discrepancy made in good faith can be corrected by the Head of Procurement after consultation with the Authorised Officer in one of the following two ways:
  - 17.1.1 The bidder shall be given details of the error(s) found during the examination of the Tender and shall also be given the opportunity of confirming without amendment or withdrawing the Tender; or
  - 17.1.2 Amending the Tender to correct genuine arithmetic error(s) provided that in this case, apart from these genuine arithmetic errors, no other adjustment, revision or qualification is permitted.
- 17.2 A written record must be kept of all such amendments.

### **18 Post Tender and Quotation Negotiations**

- 18.1 In the interests of ensuring an open, fair and transparent process, negotiation following receipt of tenders is only permissible in limited circumstances.
- 18.2 No negotiation is permitted following **receipt of final tenders** where the Tender is above the EU Threshold.

- 18.3 Where the procurement is below the EU Threshold, the Authorised Officer may, after consulting with the Chief Financial Officer, and where it is intended to obtain better value for money, authorise negotiations with one or more bidders or Quotation providers where s/he considers that none of the Tenders or Quotations are acceptable and it is in the Council's interests to do so.
- 18.4 Negotiation on behalf of the Council should be conducted by two or more Authorised Officers and a written record kept of the negotiation.

### **19 Approval and Acceptance of Tenders and Quotations**

- 19.1 For every Contract, Framework Agreement or DPS over the relevant EU Threshold or £2 million and above in value (whichever is lower) a tender evaluation report must be produced which includes details of:
- the winning bid,
  - the suppliers involved,
  - results of any selection process,
  - the value and subject matter of the Contract,
  - justification for using any negotiated type procedure,
  - any decision not to award,
  - reasons for not using electronic communications,
  - any conflict of interest,
  - reasons for rejecting abnormally low bids.
- 19.2 The tender evaluation report must be approved by an Appropriate Officer and the Head of Procurement prior to notification letters referred to at CSO 19.4 being issued.
- 19.3 The Authorised Officer can only accept the most economically advantageous Tender or Quotation and must record the reasons for acceptance.
- 19.4 All suppliers who submit a Tender or Quotation should be notified in writing of their success or failure in a timely manner using the standard documents. All notifications should be signed by the relevant Appropriate Officer.
- 19.5 For procurements concerning Contracts with values above the relevant EU Thresholds it is essential that all unsuccessful letters contain the following;
- The award criteria used;
  - The score the bidder obtained against those award criteria;
  - The score the winning bidder obtained;
  - The name of the winning bidder;
  - The characteristics and relative advantages of the winning tender; and
  - Precise details of the standstill period.
- 19.6 For all tenders covered by the Procurement Legislation, the minimum statutory standstill period is required between notification of the award decision and final Contract award.

- 19.7 Whilst the standstill period referred to above is not a legal requirement for below threshold procurements, above threshold procurements under the light touch regime or Call-Offs under Framework Agreements or DPS, it is normal practice to apply a voluntary standstill period to allow an opportunity for unsuccessful aggrieved bidders to challenge / complain and for the Council to satisfactorily deal with such instances before entering in Contract.
- 19.8 Before entering into any Contract, the Authorised Officer must
- 19.8.1 be sure that they have the necessary authority to enter into the Contract and that these Contract Standing Orders, the Council's Financial Regulations and procurement advice have been complied with, and that the proposed Contract represents Best Value for Money
  - 19.8.2 be satisfied about the technical capability of such proposed Supplier; and
  - 19.8.3 where a significant supply risk has been identified (in accordance with CSO 7.2.5 and for all Contracts of £189,329 pa and above, or £189,329 (if the Contract is for less than 1 year) for works, goods or services consult with the Chief Financial Officer to agree appropriate checks on the financial and resource capacity of the Supplier to perform the Contract and to agree what, if any, security should be provided for performing the Contract. Forms of security include such as: parent company guarantee, Director's guarantee and performance bonds.
- 19.9 All Contracts awarded of £5,000 and above must be recorded on the YORtender system and all Contracts valued at £25,000 and above must also be published on Contracts Finder. All Contracts above the EU Threshold must also be published in OJEU.
- 19.10 For all Contracts and extensions valued at £100,000 and above a briefing note for the Leader of the Council must be produced.

## 20 Exceptions

- 20.1 Subject to the statutory requirements for procurement processes above EU Thresholds no competitive procurement process is required where one or more of the following exceptions apply:
- 20.1.1 the purchase of proprietary or patented goods or materials or services which, are obtainable only from one supplier, and where no reasonably satisfactory alternative is available;
  - 20.1.2 the execution of works or the supply of goods or services are controlled by a statutory body

- 20.1.3 the execution of works or supply of goods or services are of a specialised nature which, are carried out by only one supplier, and where no reasonably satisfactory alternative is available;
- 20.1.4 the execution of works or supply of goods or services for which it can be demonstrated that no genuine competition can be obtained;
- 20.1.5 the purchase of a named product required to be compatible with an existing installation;
- 20.1.6 special education, health or social care Contracts, if, it is considered in the Council's interests and to meet its obligations under relevant legislation;
- 20.1.7 the execution of works or the supply of goods and services that are required so urgently as not to permit compliance with the requirements of competition.
- 20.1.8 carrying out, with the approval of the Chief Financial Officer, security works where the publication of documents or details in the tendering process could prejudice the security of the works to be done.
- 20.1.9 The procurement is a unique work or art or artistic performance
- 20.1.10 To allow for the continuation of a contractual arrangement with a Supplier beyond the terms of a Contract, in exceptional circumstances and where the duration of the continued Contractual arrangements is determined in accordance with the timescales required to complete a re-procurement or the
- 20.1.11 The selection of a supplier upon the instruction of a third party, providing all the funding is met by a third party.
- 20.2 All exceptions with a total value of £25,000 and above require the support of the Chief Financial Officer, who is ultimately responsible for procurement within the Council, as well as the relevant Appropriate Officer.
- 20.3 An exception request form must be completed for every instance of an exception of £25,000 and above. The Authorised Officer must ensure that the market for a proposed Contract has been investigated, and that the Authorised Officer can demonstrate that departure from these Contract Standing Orders is justifiable and provides overall value for money.
- 20.4 The Authorised Officer must retain written reasons justifying the decision to use CSO 20 and be able to demonstrate that Best Value for Money has been obtained.
- 20.5 Any Contract valued at £25,000 and above awarded using an exception shall be notified to the Chief Financial Officer who will record the Contract in the "Exceptions Log".

## 21 Contract Extensions, Variations, Novation or Termination

### Extensions

- 21.1 The Authorised Officer can extend a Contract subject to the extension being permitted within the scope and terms of the original procurement and Contract and before the expiry date.
- 21.2 An options appraisal must be undertaken to determine if it represents Best Value for Money to extend the Contract and any approval required must be sought in a timely manner.
- 21.3 The Authorised Officer must make every effort to negotiate improved terms, at the point of extending the Contract, with regard to the cost and quality of the goods or services.
- 21.4 No extension shall be made until funding has been secured in accordance with the Council's Financial Regulations or any other similar requirement.

### Variations

- 21.5 All Contract variations must be carried out within the scope of the original Contract and must not materially affect or change the Contract.
- 21.6 There are significant limitations upon the Council being able to make such modifications, especially where the Procurement Legislation applies.
- 21.7 When considering a variation or modification of an existing Contract, advice must be sought in advance from the Head of Procurement and the City Solicitor.
- 21.8 Such variations must be approved by:
  - 21.8.1 the Assistant Director of the Service if the value of the variation is less than 25%, or the revised, total Contract Value is less than £100k,
  - 21.8.2 the Strategic Director of the Department if the value of the variation is greater than 25%, or the revised total Contract Value is £100k or above, or
  - 21.8.3 the Chief Financial Officer if the value of the variation is greater than 50% and the total value of the Contract is £100k or above.
- 21.9 Works Contracts variations, subject to CSO 21.6 and 21.7, must be managed in accordance with the relevant works Contract clause(s), and by no later than the next periodic valuation of the works reported in accordance with 21.8.1 to 21.8.3 above

21.10 Following the approval of any variation the relevant notices described at CSO19.9 must be updated and any further notifications required to comply with Procurement Legislation published.

### **Novations**

21.11 In the event that a novation is required because a Supplier ceases to provide the work, goods or services whether as a result of insolvency, company restructuring, company purchase, termination of the Contract or any other reason then the Authorised Officer must consult with the Chief Financial Officer and City Solicitor before novating or assigning the Contract to a new Supplier.

### **Termination**

21.12 Before commencing a process of terminating a Contract with a Supplier for a breach of Contract the Authorised Officer must consult the Chief Financial Officer and City Solicitor.

## **22 Written Contracts**

22.1 The Authorised Officer must ensure every Contract is in writing.

22.2 Every Contract with a Contract Value of £2 million or above must be executed under seal as a Deed with the common seal of the Council by the City Solicitor.

22.3 Every Contract with a Contract Value of less than £2 million should be executed under seal as a Deed with the common seal of the Council by the City Solicitor in the following circumstances:

- the Council wishes to enforce the Contract for more than 6 years after its end (e.g. for land or works); or
- it is required by parties to the Contract; or
- the price paid or received under the Contract is a nominal price and does not reflect the value of the goods/services; or

22.3 Otherwise the following rules for signature apply:

- where the total Contract Value is below £100,000 an Authorised Officer can sign within the limits specified by an Appropriate Officer as per Contract standing order 2.5.
- any Contract with a total value between £100,000 and £2 million must be signed by a Assistant Director or above

22.4 All Contracts with the exception of one-off purchases below £5,000 must be recorded on the Contracts and Grant Register.

## 23 Professional Services, Consultants and Intermediary Employment

- 23.1 An Authorised Officer may only appoint external consultants providing professional or consulting services if such services are not available within the Council or if Council Officers providing them do not have the resources to meet the needs of the Authorised Officer. Approval of the Consultancy and Contractor Procurement Process must be obtained before seeking quotes or tenders.
- 23.2 Inline with HMRC IR35 and CIS rules the Authorised Officer must consider guidance available on Bradnet and identify the employment status of the Supplier for tax purposes for the Contract entered into, and notify the Chief Financial Officer. Although not a definitive list, Suppliers providing works or services in the following instances must be considered:
- Services delivered personally by the Supplier
  - Consultancy work
  - Self employed contractors or suppliers
  - The engagement of a worker through a limited company or other body
  - The use of a Personal Services Company
  - The engagement of a CIS registered contractor
- 23.3 For Contracts identified as being within the scope of the IR35 payments can only be made in compliance with IR35 legislation.
- 23.4 The Authorised Officer must consult the Chief Financial Officer for all Construction Industry Scheme (CIS) Contractor appointments and payments.

## 24 Contract Conditions

- 24.1 The Council's standard terms and conditions should be entered for all Contracts. Any exception must be agreed in consultation with the City Solicitor and the Chief Financial Officer **before** entering in to Contract.
- 24.2 The above rule shall not apply to:
- UK government standard documentation or government sponsored schemes such as Academies and amendments may be made for Best Value for Money or project specific reasons.
  - Construction and/or engineering Contracts where bespoke conditions based on accepted industry practice are used e.g. JCT, NEC or ICE
  - Where Framework Agreements / DPS are being used.

## 25 Contract Management

- 25.1 The Authorised Officer is responsible for contractual spend over the duration of a Contract, and must scrutinise and challenge supplier performance, costs

and progress, and must take appropriate measures and sanctions to improve supplier poor performance.

- 25.2 The Authorised Officer must ensure that Contract specifications contain suitable key performance indicators to incentivise appropriate service delivery and to highlight poor performance.
- 25.3 The Authorised Officer must undertake suitable due diligence checks of a Supplier's technical and organisational measures to fulfil their obligations as Data Processors under the General Data Protection Regulation.

### **26 Leases and Other Credit Agreements**

- 26.1 The Authorised Officer must ensure that prior to entering into any lease or credit arrangement which has a capital cost, the cost must first be approved for inclusion in the Capital Investment Plan in accordance with Financial Regulations relating to capital expenditure.

### **27 Grants**

- 27.1 The Authorised Officer must follow the principles, processes and template documents of these Contract Standing Orders as appropriate for awarding grants prior to entering into any grant arrangements.
- 27.2 Grant funding arrangements should be considered carefully to decide whether they are in fact a procurement for the purposes of these Contracts Standing Orders. A genuine Grant funding arrangement is not a procurement. However, Officers should consider whether the purpose that the grant is being provided for could be achieved through a procurement.
- 27.2 Before awarding any grant with an estimated value of £100,000 and above, the Authorised Officer must consult the Chief Financial Officer.
- 27.3 All grant agreements shall be recorded in the Contracts and Grant Register.

### **28 Payment Outside of Standard Procure to Pay Procedures**

- 28.1 The Chief Financial Officer will make payments on account only on certificates (or other forms approved by the Chief Financial Officer) which have been issued by the Authorised Officer, or the architect/engineer/supervising officer appointed to deal with a particular Contract.
- 28.2 An Authorised Officer may where there has been written agreement with the Chief Financial Officer (setting out the parameters) make purchases and payments via a purchasing card. Purchasing cards must only be used in accordance with the Council's Purchasing Card Compliance Policy, any exception to the Policy must be agreed in advance with the Chief Financial Officer.

- 28.3 The Chief Financial Officer will withdraw the use of purchasing cards should the above not be complied with. Instances of non-compliance can result in disciplinary action in accordance with CSO 2.1.
- 28.4 Payment for goods, works and services are not to be made in advance of delivery other than in a low Contract Value and low risk situation or where it is industry practice to do so that has been agreed in writing with the Appropriate Officer.

### **29 Claims**

- 29.1 The Authorised Officer must inform the City Solicitor of all claims by or against suppliers which are the subject of formal dispute resolution or litigation between the Council and the supplier.

### **30 Contracts Where Members Have an Interest**

- 30.1 Members shall ensure that all procurement activity which is undertaken has regard to high standards of probity and in a manner which avoids any conflict of interest. The Members' Code of Conduct must be followed at all times.

TABLE 1

| Value Band | Total Contract Value                                                                                    | Procurement Options                                                                                                                                                                                                                                                                                                                                       | Additional procedures                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1          | £0 - £24,999                                                                                            | <p><b>CSO Section 10</b></p> <ul style="list-style-type: none"> <li>• Must demonstrate value for money</li> <li>• Must use in-house or Corporate Contract</li> <li>• Must use Local Supplier if available</li> <li>• Consider using purchasing card for low value, low risk purchases</li> </ul>                                                          | <ul style="list-style-type: none"> <li>• All quotes in writing</li> <li>• Contracts of £5,000 and above must be recorded on YORtender</li> <li>• All Contracts of £5,000 and above to be entered in the Contracts &amp; Grant Register</li> </ul>                                                                                                                                                                                                                 |
| 2          | £25,000 – EU Threshold for Goods and Services                                                           | <p><b>CSO Section 11</b></p> <ul style="list-style-type: none"> <li>• Must use in-house or Corporate Contract</li> <li>• Consider availability of an existing suitable Framework Agreement or DPS</li> <li>• seek minimum of four quotes inviting local suppliers if available <b>or</b></li> <li>• Open tender process</li> </ul>                        | <ul style="list-style-type: none"> <li>• Consider all pre-procurement requirements</li> <li>• All quotes in writing</li> <li>• Use YORtender for quotes or formal tender</li> <li>• £100k and above Complete briefing note for Contract award</li> <li>• All Contracts to be entered in the Contract &amp; Grant Register</li> </ul>                                                                                                                              |
| 3          | Light Touch Regime Contracts, Concession Contracts and Works Contracts 189,330 to relevant EU Threshold | <p><b>CSO Section 12</b></p> <ul style="list-style-type: none"> <li>• Must use in-house or Corporate Contract</li> <li>• Consider availability of an existing suitable Framework Agreement or DPS</li> <li>• Open tender process or process agreed by the Head of Procurement.</li> </ul>                                                                 | <ul style="list-style-type: none"> <li>• Consider all pre-procurement requirements</li> <li>• Use YORtender for quotes or formal tender</li> <li>• Complete briefing note for Contract award</li> <li>• All Contracts to be entered in the Contracts &amp; Grants Register</li> </ul>                                                                                                                                                                             |
| 4          | Above relevant EU Threshold                                                                             | <p><b>CSO Section 13</b></p> <ul style="list-style-type: none"> <li>• Must use in-house or Corporate Contract</li> <li>• Consider availability of an existing suitable Framework Agreement or DPS (call-off)</li> <li>• Formal tender process</li> <li>• Full EU tender process with advert published in OJEU in accordance with EU Thresholds</li> </ul> | <ul style="list-style-type: none"> <li>• All proposed Contracts must be referred to Procurement Services</li> <li>• Consider all pre-procurement requirements</li> <li>• Use YORtender for formal tender</li> <li>• Complete briefing note for Contract award</li> <li>• All Contracts to be entered in the Contract &amp; Grant Register</li> <li>• Report to Overview &amp; Scrutiny for Contracts of £2million and above prior to publishing tender</li> </ul> |

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## PART 3F Financial Regulations

## GENERAL

## 1 Application

- 1.1 These Financial Regulations are made in accordance with the provisions of section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2015 and subsequent amendments to provide for the proper administration of the Council's financial affairs. The Director of Finance (Chief Financial Officer/S151 Officer) has overall responsibility for this administration. More detailed guidance is contained in Financial Advice Notes and other procedures issued by the Chief Financial Officer.
- 1.2 In these Financial Regulations "Appropriate Officer" means the Chief Executive, Strategic Directors, Directors, City Solicitor, the Chief Financial Officer (S151 Officer) or any other officer designated by resolution of the Executive.
- 1.3 In these Financial Regulations "Appropriate Member" for the purposes of paragraph 16.4.2, means the portfolio holder for the service area required to comply with the Financial Regulations and the Ward members where the proposed expenditure has implications for a specific Ward.
- 1.4 These Regulations state the principles of financial control and administration, which must be followed by all officers of the Council. Failure to comply with these Financial Regulations may result in disciplinary action against the officer(s) concerned. Appropriate Officers must certify annually their compliance with internal controls.
- 1.5 In applying these Financial Regulations, all officers shall have regard to the duty of Best Value under the Local Government Act 1999.
- 1.6 Annually, the Chief Financial Officer will review these Financial Regulations and report any proposed alterations to the Governance and Audit Committee for consideration. The report will then be presented to Council for approval as part of the annual review of the Constitution.
- 1.7 The Chief Financial Officer may allow specific exceptions to these Financial Regulations where in their opinion it is in the Council's interest. The Chief Financial Officer must keep a record of these exceptions and report these to the Governance and Audit Committee on an annual basis.
- 1.8 The Chief Financial Officer can alter the financial limits in these regulations because of changes in the value of money. The Chief Financial Officer must report any alterations to the next meeting of the Governance and Audit Committee.
- 1.9 All amounts quoted in these Financial Regulations refer to values excluding Value Added Tax.
- 1.10 In applying these Financial Regulations, all officers shall comply with the Budget\* and Policy Framework Procedure Rules set out in Part 3C of the Constitution and

implement the specific further requirements and best practice advice provided by the Chief Financial Officer. \*The budget is approved by full Council in February and may be subsequently varied during the year by full Council.

Commented [HK1]: Added by CC for clarity

FINANCIAL CONTROLS AND PROCEDURES

2 Accounting and Financial Systems

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2.1 The Chief Financial Officer is responsible for approving and controlling the Council-wide accounting and financial systems. Appropriate Officers must comply with these accounting and financial systems.

3 Audit Arrangements

3.1 The Chief Financial Officer must monitor, review and report on:

3.1.1 The soundness and adequacy of financial management control systems and how they are implemented.

3.1.2 How far established policies, plans and procedures are complied with and the financial effect.

3.1.3 How far assets, resources and interests are accounted for and safeguarded from losses due to fraudulent offences, waste, extravagance and inefficiency.

3.1.4 The effectiveness of risk management, control and governance processes taking into account public sector internal audit standards and guidance.

3.2 The Chief Financial Officer or their designated officer

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a) can visit all premises to see cash, stores and other property,

b) has right of access to any documents and all other data sources considered necessary and

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c) can ask any officer for any information and explanations considered necessary and may produce a report.

The officer concerned must provide promptly and has no more than two months to respond to the report detailing the intended action to be taken on the report's recommendations. The Appropriate Officers are responsible for appropriate procedures being in place to ensure that the intended action has been implemented. The Chief Financial Officer must take to the Governance and Audit Committee the Annual Internal Audit Plan, the Annual Internal Audit Report and any other report relevant to Internal Audit. The Chief Financial Officer must inform the Governance and Audit Committee every year about any responses to reports, which are still outstanding.

Commented [HK5]: Amended by CC

3.3 If any officer suspects or knows of any losses or irregularities concerning cash, property, stores or other financial matters they must inform the Corporate Fraud Unit at once and discuss action to take. The Chief Financial Officer must report serious losses and irregularities to the Governance and Audit Committee.

Commented [HK6]: Amended by CC

4 Statement of Accounts

4.1 Each year the Chief Financial Officer must produce to the Executive an outturn report for the previous financial year showing income and expenditure on both capital and revenue account compared against estimates.

4.2 Each year the Chief Financial Officer must produce the Council's Statement of Accounts (which shall include the Annual Governance Statement) and submit them to the Governance and Audit Committee.

5 Payments to Staff

5.1 Appropriate Officers are responsible for arrangements for paying employees in accordance with rules issued and systems established by the Chief Financial Officer. Payments to workers must comply with IR35 Regulations.

5.2 The Appropriate Officer is responsible for the accuracy of all information passed to the Strategic Director Corporate Resources that is used for making payments to staff and the Strategic Director Corporate Resources is responsible for the accuracy of payments made in accordance with information received.

5.3 Appropriate Officers or their nominees should maintain an up to date signatory list of all officers approved by them to manually authorise all payroll and related documents.

5.4 Appropriate Officers or their nominees should authorise staff who can have Chief Position status on MSS. Only staff with Chief Position status can authorise electronic payroll and related documents including starters and leavers for their staff.

6 Banking Arrangements

6.1 The Chief Financial Officer controls the Council's bank and giro accounts and is responsible for all procedures.

6.2 All cheques, giros, promissory notes and any other financial instruments and other orders for payment can be signed only by the Chief Financial Officer or other officers authorised by the Chief Financial Officer.

7 Borrowing and Credit Arrangements

7.1 The Strategic Director Corporate Resources and Chief Financial Officer exclusively can negotiate loans to the Council.

Commented [HK7]: Amended by CC to be consistent with 8.2

7.2 Appropriate Officers must consult the Chief Financial Officer before entering into any property lease, finance lease or other contract for the use of an asset, which may be deemed a credit arrangement and controlled under Sections 7 and 8 of the Local Government Act 2003.

## 8 Strategic Investments

Commented [HK8]: Added by CC for clarity

- 8.1 The Investment Advisory Group (IAG) will make investment recommendations to the Strategic Director Corporate Resources and oversee a strategy for generating income from investment in other assets, taking into account sources of funds, objectives/purpose, scope of investment (geography, sector, exclusions), risk appetite, duration, return requirements and the economic and regulatory environment.
- 8.2 The Strategic Director Corporate Resources and Chief Financial Officer exclusively can make investments. They must put them under the name of the Council and/or the appropriate Trust Fund. Investments can include loans made, to for profit and not for profit organisations providing the purpose of the loan is consistent with the Council's priorities and advice relating to State Aid has been obtained.

## 9 Treasury Management

- 9.1 The Treasury Management function shall be carried out by the Chief Financial Officer in accordance with the Code of Practice on Treasury Management in the Public Service produced by CIPFA and in accordance with the Treasury Management Policy Statement and Treasury Management Practices/Schedules approved by the Governance and Audit Committee.
- 9.2 All Council money (excluding cash controlled by schools under delegated budgets) shall be under the control of the Chief Financial Officer.
- 9.3 All operational decisions on borrowing, investment or financing (except for schools under delegated budgets) shall be made by the Chief Financial Officer or officers nominated under the Scheme of Delegation contained in the Treasury Management Practices/Schedules.
- 9.4 Each year the Chief Financial Officer shall present to Governance and Audit Committee the following reports on Treasury:
- 9.4.1 A Treasury Management Policy Statement, Minimum Revenue Provision Strategy and Annual Investment Strategy
- 9.4.2 An Annual Treasury Management report
- 9.4.3 and a Mid Year Treasury update report.

All above reports subsequently will be presented to full Council.

## 10 Value Added Tax

- 10.1 Appropriate Officers must fully consider and take into account the VAT implications of all policy decisions.

10.2 Where a capital project is proposed which involves expenditure in any of the VAT exempt activity areas Appropriate Officers must:

10.2.1 Ensure that the VAT implications are taken into account during the planning stage.

10.2.2 Liaise with the Chief Financial Officer on any capital proposals which may have exempt implications; and

10.2.3 Ensure that any report to members states that the VAT exempt implications have been considered within the financial implications section of the report.

10.3 Any proposal to change the method by which a service is provided should be notified to the Chief Financial Officer.

11 Partnerships, Joint Ventures and Companies in which the Council is a Guarantor or has a Share Holding Interest

11.1 Where it is proposed that the Council be involved in a partnership arrangement or a joint venture or where the Council is to be a guarantor of a company limited by guarantee or a shareholder of a company, the Appropriate Officer shall first consult with the Chief Financial Officer and City Solicitor on the proposals, and shall agree arrangements to provide for the effective monitoring and governance in each case of the arrangement, Joint Venture or company operation.

11.2 All proposals for the transfer of in house services to an external provider must be considered by the Alternative Delivery Model Steering Group, chaired by the Chief Financial Officer, to ensure adequate safeguards are in place.

11.3 This Regulation does not apply to investments under Regulation 8 or pension fund investments under Regulation 33.

## PROCUREMENT OF GOODS, WORKS AND SERVICES

12 Contract Standing Orders

12.1 Any officer of the Council who is either responsible for, or undertakes, procurement of goods, works and services on behalf of the Council, or behalf of any other body for whom the Council acts, must follow the Council's Contract Standing Orders.

## EXPENDITURE REQUIREMENTS

13 Expenditure Limits

## Appendix 2

13.1 Appropriate Officers may spend up to the total budgeted resources for their services in the most efficient and cost effective manner and deploy those resources flexibly in order to meet the Council's strategic objectives and policies for those services and secure value for money as approved in the Council's budget and policy framework, provided that:

Commented [HK9]: Added by CC for clarity

13.1.1 Budget for capital charges and/or statutory charges may not be vired for other purposes.

13.1.2 Portfolio holders are consulted before the Appropriate Officer transfers resources under their delegated control but between Portfolio Holders' remits.

13.1.3 Requests for virement of revenue over £100,000 from the control of one Appropriate Officer to another are to be approved by Council unless agreed by all three leaders of the three largest political groups represented on the Council.

13.2 Where a request for virement of revenue over £100,000 is approved in accordance with Standing Order 13.1.3 above the officer seeking approval will notify all elected members of Council of that approval within 5 working days.

13.3 The Chief Financial Officer will report all approvals given under Standing Order 13.1.3 to the Executive, as part of the Quarterly Financial Report.

13.4 Appropriate Officers are responsible for all expenditure incurred.

13.5 Appropriate Officers may make variations within their total budget but where any such variations will have a financial impact on another Council department they must consult with the department concerned.

13.6 Appropriate Officers shall not incur expenditure beyond the total budgeted provision, nor make commitments or variations in staffing levels, which would lead to increases in expenditure in future years beyond approved limits. Appropriate Officers must inform the Chief Financial Officer immediately if it appears to them that the total expenditure incurred by their services (including expenditure they propose to incur) is likely to exceed the approved budget.

## 14 Better Use of Budget

14.1 In order for Appropriate Officers to manage their budgets more effectively, they may, with the written approval of the Chief Financial Officer:

Commented [HK10]: Amended by CC

14.1.1 Underspend their allocation and carry the balance forward to the following year, or,

Appendix 2

14.1.2 Overspend their allocation and deduct the amount overspent from the following year's budget, provided that by carrying a balance forward this would not create an overspending in the following year.

14.2 Any action taken under paragraph 14.1.1 or 14.1.2 above must be agreed with the Chief Financial Officer.

15 Procure to Pay and Miscellaneous Payments

15.1 Appropriate Officers, or their nominees, are responsible for authorising purchases or making miscellaneous payments. Officers should ensure that the expenditure is necessary and appropriate and that there is a budget on the correct financial code to cover such expenditure, before giving approval.

15.2 The Miscellaneous Payments process enables payments to be made which are not the result of a purchase, for example a refund, grant payment or third party payment. Miscellaneous Payments must not be used to pay suppliers (for goods, services or works; this includes professional fees/services, particularly to consultants or training providers). It must also not be used to reimburse employee expenses or petty cash purchases.

15.3 The CHAPS, Immediate, Next Day or Future Dated Payments process must not be used to pay suppliers for goods, services or works other than in exceptional circumstances where an invoice is provided and the use of CHAPS is authorised by the Chief Financial Officer.

Commented [HK11]: Correction of role carried out by CFO

15.4 Appropriate Officers should ensure that staff are properly trained to follow the procure to pay process, use an approved feeder system and to use SAP Procure to Pay.

15.5 Appropriate Officers should review and document staff access to the SAP Procure to Pay system and any approved feeder system at least on an annual basis to ensure it is up to date and appropriate.

CAPITAL EXPENDITURE

16 Expenditure Arrangements

16.1 Appropriate Officers shall ensure that the potential effects of capital expenditure on the Council's VAT position are properly considered in accordance with Regulation 10.

16.2 16.2 All capital investment proposals must be supported by a business case. The business case for a proposal, fully funded by a revenue budget or capital grant, must demonstrate that it fits within the overall Capital Programme and maximises grant funding.

Commented [HK12]: This regulation has been added to clarify to Officers that irrespective of how a capital investment proposal is funded it must fit the capital programme

Appendix 2

16.3 Capital Investment proposals not fully funded by a revenue budget or capital grant, must be supported by a business case approved by both the Project Appraisal Group and the Portfolio Holder. These proposals must be evaluated in terms of value for money risk, deliverability and fit within the overall Capital Investment Plan. Only proposals with approved business cases can be included in the Capital Investment Plan.

**Commented [HK13]:** Added to differentiate the process between capital/non capital funded projects.

**Commented [HK14]:** Correction of wording.

**Commented [HK15]:** Correction of wording.

16.4 Appropriate Officers shall ensure that every scheme involving capital expenditure is approved for inclusion in the Capital Investment Plan before any commitment is made, and in this respect:

16.4.1 Schemes to be financed from an approved revenue budget or to be fully financed from capital grant may be approved by the Chief Financial Officer, and

16.4.2 All schemes other than those approved by the Chief Financial Officer in accordance with 16.3.1 must be agreed by the Project Appraisal Group before submission to the Executive for approval.

16.5 Appropriate Officers shall ensure that:

16.5.1 The scheme is designed and specified within the approved costs in the Capital Investment Plan (which will be shown at outturn prices) in consultation with the Chief Financial Officer where appropriate.

16.5.2 Appropriate Members are consulted on plans and detailed estimates for schemes over £75,000.

16.5.3 Where appropriate, Government or any other source of external funding approvals has been received.

16.5.4 The tender to be accepted does not exceed the technical officer's estimate of the tender price (as reflected in the Capital Investment Plan) by more than:

16.5.4.1 10% or £100,000, whichever is the lesser, for schemes costing over £75,000.

16.5.4.2 15% or £7,500, whichever is the lesser for schemes costing £75,000 and below.

16.6 Appropriate Officers shall ensure compliance with all current policies on capital expenditure including the requirement to refer schemes (excluding schemes that are entirely funded by external grants) to the Executive immediately prior to entering into any completely new commitments. In addition, Appropriate Officers shall be responsible for keeping both the appropriate Portfolio Holder and the Chief Financial Officer advised of

schemes; and shall ensure that the resultant revenue consequences of a capital scheme can be financed within their approved revenue budget.

## 17 Monitoring the Capital Investment Plan

- 17.1 Each Appropriate Officer must ensure that annual spending on capital schemes does not exceed the approved cost.
- 17.2 Once a scheme has started, an Appropriate Officer must report to the Executive at the point at which it becomes apparent that the cost of a capital scheme will exceed the approved figure in the Capital Investment Plan by more than the amounts referred to in 16.4.4.1 and 16.4.4.2.
- 17.3 Additional works to an approved scheme beyond the original scheme proposals exceeding the approved figure in the Capital Investment Plan may only be authorised by the Executive.
- 17.4 Where the approved cost of schemes is reliant on funding from specific resources such as supplementary credit approvals and grants, Appropriate Officers must secure the funding before entering into commitments.
- 17.5 Capital expenditure and funding form part of the financial monitoring reports prepared for the Executive, which must include the benefits of investment. Each Appropriate Officer will monitor capital spending and resources and provide information in accordance with the timetable and guidelines issued by the Chief Financial Officer.

## INCOME REQUIREMENTS

### 18 Income Arrangements

- 18.1 When the authority provides goods or discretionary services to bodies or individuals external to the Council, Appropriate Officers must ensure:
- 18.1.1 A sound business case is established
  - 18.1.2 The Council has legal authority to carry out the service
  - 18.1.3 All relevant financial, employment and legal aspects have been properly considered and
  - 18.1.4 The Council is not exposed to unreasonable or disproportionate financial or other risk
- 18.2 Appropriate Officers are responsible for arrangements for the collection, receipt, recording, banking and safe-keeping of all Council income in accordance with rules issued by the Chief Financial Officer.

## Appendix 2

- 18.3 Appropriate Officers are responsible for all arrangements for credit facilities and accounting for doubtful debts in accordance with rules issued by the Chief Financial Officer. The Council's Accounts Receivable System must be used for the recording and collection of credit income due and the recovery of all outstanding debt unless other arrangements have been agreed with the Chief Financial Officer. Arrangements whereby customers self-bill should not be entered into unless expressly agreed, in advance, in writing by the Chief Financial Officer.
- 18.4 All contracts where the Council agrees to provide a service for a fee must be in writing and state the services to be provided, the price to be paid, the payment agreement and the time within which the contract is to be performed.
- 18.5 Credit notes must only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt and once it is confirmed that the debt is not payable. Credit notes must be approved by the relevant Appropriate Officer or their nominated Senior Officers before they are raised.
- 18.6 The Chief Financial Officer must approve the writing-off of debts and other losses except where they have specified the level of small value debts below £100 for which Appropriate Officers can give approval. The Chief Financial Officer may also delegate senior officers within Department of Corporate Resources to approve write-offs.
- 18.7 As an Appropriate Officer, the Director – West Yorkshire Pension Fund (WYPF) must approve the writing-off of debts and other losses relating to WYPF debts only. The Director – West Yorkshire Pension Fund (WYPF) may also delegate senior officers within WYPF to approve WYPF debt write-offs in accordance with the WYPF documented procedures.
- 19 Prevention of Money Laundering
- 19.1 In accordance with the Money Laundering Regulations 2007, the Council will not accept cash payments in excess of €10,000. For practical purposes, this limit is set at £8,400 subject to Financial Regulation 1.8.
- 19.2 All officers must adhere to guidance issued by the Chief Financial Officer on compliance with Money Laundering Regulations.
- 20 Review of Fees, Charges and Concessions
- 20.1 The introduction of any fee, charge or concession, or removal of any subsidy must be approved by the Executive unless it is required by legislation or is in accordance with approved policy or strategy.

Commented [HK16]: Amended by CC

Commented [HK17]: Amended by CC & MS

Commented [HK18]: Amended to be consistent with 18.6

Commented [HK19]: Change required due to change in exchange rate.

- 20.2 The Appropriate Officer must review fees charges and concessions annually; including circumstances where there is a legal power to charge but no charge is currently applied.
- 20.3 The annual review must have regard to relevant policies and strategies, cost of service and budget implications and inflation. In particular, where there is a requirement for a service to break even or to generate a surplus, the review must have regard to this requirement.
- 20.4 Appropriate Officers may vary fees charges and concessions in line with inflation forecasts stated by the Chief Financial Officer.
- 20.5 Proposed variations to fees, charges and concessions other than in line with inflation forecasts must be referred to the Executive, except that minor variations may be made by the Appropriate Officer after consultation with the appropriate Executive portfolio holder subject to any budgetary consequences being managed within existing service revenue budgets.
- 21 Grant Applications and Claims
- 21.1 Appropriate Officers are responsible for arrangements for the submission of grant applications to outside agencies, the certification of claims and the proper management of monies received in accordance with the Corporate Standard 3.
- 21.2 The Chief Financial Officer must be informed of all grant applications in excess of £100,000 at the time of application, and the result of all such grant applications as soon as this is known.

## MANAGEMENT OF ASSETS

- 22 Asset Register
- 22.1 The Chief Financial Officer will keep the asset register of the Council and will issue procedures for its maintenance and valuation.
- 22.2 Appropriate Officers must ensure that all assets, which are used by or are the responsibility of their services, are recorded in accordance with rules laid down by the Chief Financial Officer. Appropriate Officers must supply such information to the Chief Financial Officer as requested from time to time.
- 23 Keeping Inventories and Stock Control
- 23.1 Appropriate Officers must keep inventories of equipment, plant and machinery in accordance with rules issued by the Chief Financial Officer. Inventories must be regularly reviewed and all items physically checked at least annually.

23.2 Stock held for re-sale must be valued at the lower of cost or net realisable value. Where valuation on this basis would result in a reduction in the overall carrying value of the range of stock held at a particular establishment of more than 10%, the Chief Financial Officer must be consulted as to the appropriateness of the valuation. Any stock losses should be dealt with under Financial Regulation 3.3.

## 24 Property Marking

24.1 Wherever possible, all portable and/or attractive equipment, plant and machinery that belong to the Council must be visibly and permanently marked to show that it is the property of Bradford Council. In the case of new equipment, the Appropriate Officer must first check to ensure that marking will not invalidate the warranty. Leased items will be marked as such where marking is acceptable to the Lessor.

## 25 Control of Assets

25.1 Appropriate Officers are responsible for the safekeeping and proper use of all Council assets and other resources under their control.

## 26 Private Property

26.1 When an Appropriate Officer has to look after private property, they must make a complete inventory of the property under their custody and make arrangement for its safekeeping.

## 27 Private Funds

27.1 Appropriate Officers must ensure that when an employee because of their job has to look after money that does not belong to the Council they must keep it separate from the Council's money and make arrangements for its recording and safekeeping.

27.2 A private fund can only be set up with the approval of an Appropriate Officer.

27.3 Private funds must be audited every year by two independent individuals or one CCAB qualified accountant. Copies of the audited accounts must be sent to the Appropriate Officer.

27.4 The Chief Financial Officer can see all records and vouchers for private funds. The Chief Financial Officer must be told of any funds, which do not comply with all these requirements.

## 28 Land and Property

28.1 Appropriate Officers must consult with the Strategic Director Corporate Resources before acquiring land or property by whatever means (including

purchase, sale, lease, tenancy, licence or option). The Strategic Director Corporate Resources shall ensure compliance with all relevant current legislation, policies and protocols.

28.2 Appropriate Officers must consult with the Strategic Director Corporate Resources before disposing of land or property by whatever means. All disposals of Council land or property must be carried out in accordance with the Land and Property Disposal Policy and, if appropriate, the Community Assets Transfer Policy.

28.3 The Strategic Director Corporate Resources shall be consulted on and will approve all asset disposals before contract exchange.

## 29 Disposal of Other Assets

29.1 When disposing of any other asset, Appropriate Officers must ensure the Council's Financial Advice Note on Disposal of Assets is followed.

## INFORMATION MANAGEMENT

### 30 Computer and Information Management

30.1 Appropriate Officers shall make adequate arrangements for the protection, identification, security, recording and proper use of all:

30.1.1 Computer hardware/software and associated technologies owned by or accessible to the Council.

30.1.2 Council information systems, manual and electronic, including the control of access to premises where information is processed.

30.2 Appropriate Officers shall have regard to the provisions of the British Standard Code of Practice for Information Security Management ISO/IEC 27001 and PCI-DSS or any replacement thereof for the time being in force when considering the protection and security of personal, financial, sensitive and confidential information.

30.3 All officers must comply with the Council's Information Security Policy and guidelines relating to the use of computer hardware, software, related technologies, E-mail and the Internet. All Officers must undertake Information Governance training annually.

## INSURANCE ARRANGEMENTS

### 31 Insurance Cover

31.1 The Chief Financial Officer will arrange all insurance cover and keep a record of details.

- 31.2 Appropriate Officers must immediately tell the Chief Financial Officer about:
- 31.2.1 New risks to be insured.
  - 31.2.2 Alterations to existing insurance cover required.
  - 31.2.3 Insured Assets, which have been disposed of.
- 31.3 Each year Appropriate Officers must check that insurance cover is adequate.
- 32 Insurance Claims
- 32.1 Appropriate Officers must immediately notify the Chief Financial Officer once aware of any loss, liability or damage, which may involve a claim. The Chief Financial Officer will negotiate and/or arrange settlement in accordance with any insurance arrangements made.

## WEST YORKSHIRE PENSION FUND

### 33 Pension Arrangements

- 33.1 City of Bradford Metropolitan District Council, as administering authority for West Yorkshire Pension Fund (WYPF), has delegated legal and strategic responsibility for WYPF to the Governance and Audit Committee. The Council has established three bodies to assist and support the Governance and Audit Committee in overseeing the Fund, namely the WYPF Pension Board, WYPF Investment Advisory Panel and the WYPF Joint Advisory Group. Under the Council's Financial Regulations, the Director – West Yorkshire Pension Fund has day-to-day responsibility for the management of the Fund. The Chief Financial Officer at Bradford Council, as the Council's Section 151 Officer, has responsibility for signing the Fund's year-end accounts. A copy of WYPF Governance Compliance Statement can be found on WYPF website.

## PUBLIC ACCOUNTABILITY REQUIREMENTS

### 34 Rules for Officers

- 34.1 An officer of the Council must not, in connection with their office of employment, accept any fee or reward whatsoever other than their proper remuneration.
- 34.2 An officer must not receive or give or offer any gift or bribe or personal inducements in connection with the Council's business.
- 34.3 An officer must not use Council property, assets or materials for other than the purposes of the Council. Permission of the Appropriate Officer must be sought for use of Council property, assets and materials for other purposes

and such permission may only be given if it can be shown that such use is in the Council's interests.

- 34.4 An officer must not subordinate their duty to the Council to their private interests or put themselves in a position where their duty and private interests conflict.
- 34.5 If any officer suspects or knows of any financial loss or irregularity, they must inform the Corporate Fraud Unit immediately.
- 34.6 An officer must comply with the Employee Code of Conduct.

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## Report of the Director of Finance to the meeting of Governance and Audit to be held on 26 November 2020

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**Subject:**

Treasury Management Mid-Year Review up to 30 September 2020

**Summary statement:**

This report shows the Council's Treasury Mid-Year Review up to 30 September 2020.

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Chris Chapman  
Director of Finance

**Portfolio:**  
**Leader of the Council and Corporate**

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**Overview & Scrutiny Area:**  
**Corporate**

# Treasury Management Review up to 30 September 2020

## Background

### 1.1 Treasury management

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

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

Accordingly, treasury management is defined as:

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

### 1.2 Introduction

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

The primary requirements of the Code are as follows:

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

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

- An economic update for the first half of the 2020/21 financial year.

- A review of the Treasury Management Strategy Statement and Annual Investment Strategy.
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators.
- A review of the Council's investment portfolio for 2020/21.
- A review of the Council's borrowing strategy for 2020/21.
- A review of any debt rescheduling undertaken during 2020/21.
- A review of compliance with Treasury and Prudential Limits for 2020/21.

## 2. Economics and interest rates

### 2.1 Economics update

- **UK (prior to new lockdown announcement for 5 November 2020).** As expected, the Bank of England's Monetary Policy Committee (MPC) kept Bank Rate unchanged on 17th September. It also kept unchanged the level of quantitative easing at £745bn. Its forecasts were optimistic in terms of three areas:
  - The fall in **GDP** in the first half of 2020 was revised from 28% to 23%. This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services – an area which was particularly vulnerable to being damaged by lockdown.
  - The peak in the **unemployment rate** was revised down from 9% in Q2 to 7½% by Q4 2020.
  - It forecast that there would be excess demand in the economy by Q3 2022 causing **CPI inflation** to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy). Nevertheless, even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.
- It also squashed any idea of using **negative interest rates**, at least in the next six months or so. It suggested that while negative rates can work in some circumstances, it would be “less effective as a tool to stimulate the economy” at this time when banks are worried about future loan losses. It also has “other instruments available”, including QE and the use of forward guidance.
- The MPC still expects the £300bn of **quantitative easing** (QE) purchases announced between its March and June meetings to continue until the “turn of the year”. This implies that the pace of purchases will slow further to about £4bn a week, down from £14bn a week at the height of the crisis and £7bn more recently.
- In conclusion, this would indicate that the Bank can now just *sit on its hands* as the economy is recovering better than expected. However, the MPC acknowledged that the “medium-term projections were a less informative guide than usual” and the minutes had multiple references to **downside risks**, which were judged to persist both in the short and medium term. One has only to look at the potential for a second wave of the virus to see the dangers. However, rather than a national lockdown, as in March, any spikes in virus infections are now likely to be dealt with by localised measures and this should limit the amount of economic damage caused. In addition, Brexit uncertainties ahead of the year-end deadline are likely to be a drag on recovery. The wind down in the furlough scheme through to the end of October is another development that could cause the Bank to review the need for more support for the economy later in the year. Admittedly, the Chancellor announced in late September a second six-month package from 1<sup>st</sup> November of government support for jobs whereby it will pay up to 22% of the costs of retaining an employee working a minimum of one third of their normal hours. There was further help for the self-employed, freelancers and the hospitality industry. However, this is a much less generous scheme than the furlough package and will

inevitably mean there will be further job losses from the 11% of the workforce still on furlough in mid-September.

- Overall, **the pace of recovery** is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one after a sharp recovery in June through to August which left the economy 11.7% smaller than in February. The last three months of 2020 are now likely to show no growth as consumers will probably remain cautious in spending and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year will also be a headwind. If the Bank felt it did need to provide further support to recovery, then it is likely that the tool of choice would be more QE.
- There will 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. There is also likely to be a reversal of globalisation as this crisis has shown up how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.
- One key addition to **the Bank's forward guidance** 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
- The **Financial Policy Committee** (FPC) report on 6<sup>th</sup> August 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%.
- **USA.** The incoming sets of data during the first week of August were almost universally stronger than expected. With the number of new daily coronavirus infections beginning to abate, recovery from its contraction this year of 10.2% should continue over the coming months and employment growth should also pick up again. However, growth will be dampened by continuing outbreaks of the virus in some states leading to fresh localised restrictions. At its end of August meeting, the Fed tweaked **its inflation target** from 2% to maintaining an average of 2% over an unspecified time period i.e. following periods when inflation has been running persistently below 2%, appropriate monetary policy will likely aim to achieve inflation moderately above 2% for some time. This change is 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 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 Fed also called on Congress to end its political disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to more directed central government fiscal policy. 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.

- **EU.** The economy was recovering well towards the end of Q2 after a sharp drop in GDP, (e.g. France 18.9%, Italy 17.6%). However, the second wave of the virus affecting some countries could cause a significant slowdown in the pace of recovery, especially in countries more dependent on tourism. The 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 weaker countries. The ECB has been struggling to get inflation up to its 2% target and it is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support.
- **China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and has enabled it to recover all of the contraction in Q1. 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. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.
- **Japan.** There are some concerns that a second wave of the virus is gaining momentum and could dampen economic recovery from its contraction of 8.5% in GDP. It has been struggling to get out of a deflation trap for many years and to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. The resignation of Prime Minister Abe is not expected to result in any significant change in economic policy.
- **World growth.** Latin America and India are currently hotspots for virus infections. World growth will be in recession this year. 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.

## 2.2 Interest rate forecasts

The Council's treasury advisor, Link Group, has provided the following forecasts (PWLBRates are certainty rates):

| Link Group Interest Rate View 11.8.20 |        |        |        |        |        |        |        |        |        |        |        |
|---------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                                       | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 |
| Bank Rate View                        | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   |
| 3 Month average earnings              | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | -      | -      | -      | -      |
| 6 Month LIBID                         | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | -      | -      | -      | -      |
| 12 Month LIBID                        | 0.20   | 0.20   | 0.20   | 0.20   | 0.20   | 0.20   | 0.20   | -      | -      | -      | -      |
| 5yr PWLB Rate                         | 1.90   | 1.90   | 2.00   | 2.00   | 2.00   | 2.00   | 2.00   | 2.10   | 2.10   | 2.10   | 2.10   |
| 10yr PWLB Rate                        | 2.10   | 2.10   | 2.10   | 2.10   | 2.10   | 2.20   | 2.20   | 2.20   | 2.30   | 2.30   | 2.30   |
| 25yr PWLB Rate                        | 2.50   | 2.50   | 2.50   | 2.50   | 2.60   | 2.60   | 2.60   | 2.70   | 2.70   | 2.70   | 2.70   |
| 50yr PWLB Rate                        | 2.30   | 2.30   | 2.30   | 2.30   | 2.40   | 2.40   | 2.40   | 2.50   | 2.50   | 2.50   | 2.50   |

- The coronavirus outbreak has done huge economic damage to the UK and 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 left Bank Rate unchanged at its last meeting on 6<sup>th</sup> August, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31<sup>st</sup> March 2023 as economic recovery is expected to be only gradual and, therefore, prolonged.

**GILT YIELDS / PWLB RATES.** 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 heightened expectations 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 is that bond prices are elevated as investors would be 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.

Gilt yields had therefore already been on a generally falling trend up until the coronavirus crisis hit western economies during March. After gilt yields spiked up during the initial phases of the health crisis in March, we have seen these yields fall sharply to unprecedented lows as major western central banks took rapid action to deal with excessive stress in financial markets, 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. At the close of the day on 30<sup>th</sup> September, all gilt yields from 1 to 6 years were in negative territory, while even 25-year yields were at only 0.76% and 50-year at 0.60%.

From the local authority borrowing perspective, HM Treasury imposed **two changes of margins over gilt yields for PWLB rates** in 2019-20 without any prior warning. The first took place on 9<sup>th</sup> October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then at least partially reversed for some forms of borrowing on 11<sup>th</sup> March 2020, but not for mainstream General Fund capital schemes, at the same time as the Government announced in the Budget a programme of increased infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this was to end on 4<sup>th</sup> June, but that date was subsequently put back to 31<sup>st</sup> July. It is clear HM Treasury will no longer allow local authorities to borrow money from the PWLB to purchase commercial property if the aim is solely to generate an income stream (assets for yield).

Following the changes on 11<sup>th</sup> March 2020 in margins over gilt yields, the current situation is as follows: -

- **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)

It is possible that the non-HRA Certainty Rate will be subject to revision downwards after the conclusion of the PWLB consultation; however, the timing of such a change is currently an unknown, although it would be likely to be within the current financial year.

As the interest forecast table for PWLB certainty rates, (gilts plus 180bps), above shows, there is likely to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020/21.

### **The balance of risks to the UK**

- The overall balance of risks to economic growth in the UK is probably relatively even, but is subject to major uncertainty due to the virus. It may also be affected by what, if any, deal the UK agrees as part of Brexit.
- 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** - second nationwide wave of virus infections requiring a national lockdown
- **UK / EU trade negotiations** – if it were to cause significant economic disruption and a fresh major downturn in the rate of growth.
- **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 recently agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next year or so. 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 intends to 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. 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.
- **US – the Presidential election in 2020**: this could have repercussions for the US economy and SINO-US trade relations.

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

- **UK** - stronger than currently expected recovery in UK economy.
- **Post-Brexit** – if an agreement was reached that removed the majority of threats of economic disruption between the EU and the UK.

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

## 2.3 Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy Statement, (TMSS), for 2020/21 was approved by this Council on 25<sup>th</sup> June 2020 (Governance and Audit). There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

## 2.4 The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

### 2.4.1 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget. Councillor and Officer Challenge sessions on the capital budget took place for Quarter1 and the revised estimate is based on increased scrutiny of the schemes within the capital programme.

| Capital Expenditure by Service   | 2020/21 Original Estimate<br>£m | 2020/21 Revised Estimate<br>£m | Current Position<br>30 Sept 20<br>£m |
|----------------------------------|---------------------------------|--------------------------------|--------------------------------------|
| <b>Total capital expenditure</b> | 209.1                           | 133.5                          | 27.3                                 |

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

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

| <b>Capital Expenditure</b>       | <b>2020/21<br/>Original<br/>Estimate<br/>£m</b> | <b>2020/21<br/>Revised Q2<br/>Estimate<br/>£m</b> |
|----------------------------------|-------------------------------------------------|---------------------------------------------------|
| <b>Total capital expenditure</b> | <b>209.1</b>                                    | <b>133.5</b>                                      |
| <b>Financed by:</b>              |                                                 |                                                   |
| <b>Capital receipts</b>          | 3.2                                             | 2.5                                               |
| <b>Capital grants</b>            | 108.5                                           | 66.8                                              |
| <b>Capital reserves</b>          | 0.6                                             | 1.1                                               |
| <b>Revenue</b>                   | 1.0                                             | 0.6                                               |
| <b>Total financing</b>           | 113.3                                           | 71.0                                              |
| <b>Borrowing requirement</b>     | <b>95.8</b>                                     | <b>62.5</b>                                       |

Projected changes to the Capital Programme have resulted in a reduced new borrowing requirement of £62.5m.

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

The table over shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. The CFR is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so the underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR. The reduced borrowing requirement has reduced the CFR estimate.

The table over also shows the expected debt position over the period, which is termed the Operational Boundary. This is the limit beyond which external debt is not normally expected to exceed.

|                                                                          | <b>2020/21<br/>Original<br/>Estimate<br/>£m</b> | <b>2020/21<br/>Revised<br/>Estimate<br/>£m</b> |
|--------------------------------------------------------------------------|-------------------------------------------------|------------------------------------------------|
| CFR – non housing                                                        | 767                                             | 714                                            |
| CFR – housing                                                            | 35                                              | 35                                             |
| <b>Total CFR</b>                                                         | <b>802</b>                                      | <b>749</b>                                     |
| <b>Net movement in CFR</b>                                               |                                                 | <b>-53</b>                                     |
|                                                                          |                                                 |                                                |
| <b>Prudential Indicator – the Operational Boundary for external debt</b> |                                                 |                                                |
| Borrowing                                                                | 540                                             | 540                                            |
| Other long term liabilities*                                             | 180                                             | 180                                            |
| <b>Total debt (year-end position)</b>                                    | <b>720</b>                                      | <b>720</b>                                     |

\* On balance sheet PFI schemes and finance leases etc.

## 2.4.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose\*. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2020/21 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

|                                 | <b>2020/21<br/>Original<br/>Estimate<br/>£m</b> | <b>Current<br/>Position<br/>30 Sept 20<br/>£m</b> | <b>2020/21<br/>Revised<br/>Estimate<br/>£m</b> |
|---------------------------------|-------------------------------------------------|---------------------------------------------------|------------------------------------------------|
| Borrowing                       | 383                                             | 346                                               | 340                                            |
| Other long term liabilities     | 169                                             | 159                                               | 159                                            |
| <b>Total debt</b>               | <b>552</b>                                      | <b>505</b>                                        | <b>499</b>                                     |
| <b>CFR* (year-end position)</b> | <b>802</b>                                      |                                                   | <b>749</b>                                     |

The Director of Finance reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

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

| <b>Authorised limit for<br/>external debt</b> | <b>2020/21<br/>Original<br/>Indicator</b> | <b>2020/21<br/>Revised<br/>Indicator</b> |
|-----------------------------------------------|-------------------------------------------|------------------------------------------|
| Borrowing                                     | 550                                       | 550                                      |
| Other long term liabilities                   | 180                                       | 180                                      |
| <b>Total</b>                                  | <b>730</b>                                | <b>730</b>                               |

### New Loans

A projection of new loans is shown in the Table below. This projection shows that the capital spend funded from borrowing generates a need to take out new loans – after adjusting for the refinancing of past borrowing and other balance sheet changes.

|                                          | <b>2020/21<br/>Original<br/>Estimate<br/>£m</b> | <b>2020/21<br/>Revised<br/>Estimate<br/>£m</b> |
|------------------------------------------|-------------------------------------------------|------------------------------------------------|
| Borrowing requirement for capital budget | 95.8                                            | 62.5                                           |
| Maturing loans                           | 2                                               | 2                                              |

|                                       |             |            |
|---------------------------------------|-------------|------------|
| Investments / working capital changes | -43         | -43        |
| MRP (excluding PFI)                   | -21         | -20        |
| <b>External Loan Requirement</b>      | <b>33.8</b> | <b>1.5</b> |

### 2.4.5 Borrowing

The Council's capital financing requirement (CFR) for 2020/21 is expected to be below the original forecast of £802m; due to changes in the profiling of capital spend. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The Council has long term borrowings of £495m and has utilised cash flow funds in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring in the event that any upside risk to gilt yields prevails.

Due to the increase in PWLB margins over gilt yields in October 2019, and the subsequent consultation on these margins by HM Treasury - which ended on 31<sup>st</sup> July 2020 - the Council has refrained from undertaking new long-term PWLB borrowing for the present and has met its requirements for additional borrowing by using short-term borrowing until such time as new PWLB margins are finally determined. In addition, the effect of coronavirus on the capital programme objectives are being assessed. Therefore, our borrowing strategy will be reviewed and then revised in order to achieve optimum value and risk exposure in the long-term.

£1.8m of loans have matured in July 2020 with an average rate of interest of 9.9%. To date no new borrowing has been undertaken this year.

#### **PWLB maturity certainty rates (gilts plus 180bps) year to date to 30<sup>th</sup> September 2020**

PWLB rates varied within a relatively narrow range between April and July but the longer end of the curve rose during August. This increase came in two periods; the first in the second week of the month was on the back of hopes for fresh US stimulus. This saw investors switch monies out of government bonds and into equities. The second shift higher at the longer end of the curve came in the latter stages of the month as investors reacted to the announcement of the tweak to the Fed's inflation target. Despite moves further out in the yield curve, the short end remained anchored on the basis of no fundamental change to the interest rate outlook.

The 50-year PWLB target rate for new long-term borrowing was unchanged at 2.30%.

### 2.4.6 Debt Rescheduling

Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates, and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

## 2.5 Investment Portfolio 2020/21

In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As shown by the forecasts in section 3.2, it is now impossible to earn the level of interest rates commonly seen in previous decades as all investment rates up to 12 months are either negative or barely above zero now that Bank Rate is at 0.10%. Given this risk environment and the fact that increases in Bank Rate are unlikely to occur before the end of the current forecast horizon of 31<sup>st</sup> March 2023, investment returns are expected to remain low.

The Council held £69.7m of investments as at 30th September 2020 (£95.2m at 31 March 2020) and the investment portfolio yield for the first 6 months of the year is 0.22%.

The Director of Finance confirms that the approved limits within the Annual Investment Strategy were not breached during the first 6 months of 2020/21.

The Council's budgeted investment return for the year to date is expected to be below budget.

### **Negative investment rates**

While the Bank of England has said that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, 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 investment 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 (rates being between 0.01% and 0.04% at present). Some managers have suggested that they might resort 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 glut 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..

Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

### **Creditworthiness.**

Although the credit rating agencies changed their outlook on many UK banks from stable to negative outlook during the quarter ended 30<sup>th</sup> 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 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 the next quarters ahead, more information will emerge on *actual* levels of credit losses. (Quarterly performance is 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 UK banks went into this pandemic with strong balance sheets. Indeed, the Financial Policy Committee (FPC) report on 6<sup>th</sup> August revised down their expected credit losses for the banking sector to “somewhat less than £80bn”. They stated that in their 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 watch, but with a small number of actual downgrades.

### **Investment Counterparty criteria**

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

## **2.6 Other areas for consideration**

2.6.1 None

## **3. Other considerations**

3.1 None

## **4. Financial and Resources Appraisal**

4.1 The financial implications are set out in section 2 of this report

## **5. Risk Management and Governance Issues**

5.1 The principal risks associated with treasury management are:

Risk: Loss of investments as a result of failure of counterparties.

Mitigation: Limiting the types of investment instruments used, setting lending criteria for counterparties, and limiting the extent of exposure to individual counterparties.

Risk: That the Council will commit too much of its investments in fixed term investments and might have to recall investments prematurely resulting in possible additional costs or new borrowing (Liquidity risk).

Mitigation: Ensuring that a minimum proportion of investments are held in short term investments for cash flow purposes.

Risk: Increase in the net financing costs of the Council due to borrowing at high rates of interest.

Mitigation: Planning and undertaking borrowing and lending in light of assessments of future interest rate movements, and by undertaking mostly long term borrowing at fixed rates of interest (to reduce the volatility of capital financing costs).

Risk: Higher interest rates increase borrowing making it more difficult to self-finance capital schemes. Debt servicing becomes less affordable and less sustainable and crowds out revenue spend.

Mitigation: To pause, delay or defer capital schemes. Also review opportunities to borrow in the future at current interest rates.

Risk: Return on non-treasury investments lower than expected.

Mitigation: Review and analysis of risk prior to undertaking non-treasury investments.

Risk: Coronavirus. The level of uncertainty in the future path of economic growth, unemployment, fiscal and monetary policy make it very difficult to accurately assess the impact on investments, capital spend and borrowing for the Council. The scale of impact will depend on the length of any lockdown and the depth of any recessionary impact.

Mitigation: Cash investments will be mainly held short term due to the uncertainties caused by the virus and we will continue to monitoring the situation and report any changes in the next Treasury report.

Risk: The Council's Minimum Revenue Policy charges an insufficient amount to the Revenue Estimates to repay debt.

Mitigation: Align the Minimum Revenue Policy to the service benefit derived from the Council's assets.

Risk: Associated with cash management, legal requirements and fraud.

Mitigation: These risks are managed through:

- Treasury Management Practices covering all aspects of Treasury management procedures including cash flow forecasting, documentation, monitoring, reporting and division of duties.
- All Treasury management procedures and transactions are subject to inspection by internal and external auditors. The council also employs external financial advisors to provide information on market trends, credit rating alerts, lending criteria advice and investment opportunities.

The Council also employs external financial advisors to provide information on market trends, credit rating alerts, lending criteria advice and investment opportunities.

Risk: Anticipated borrowing is lower than expected because the 2020/21 capital programme is underspent. This is explained in more detail below, together with the actions being taken to reduce these risks:

Mitigation: The Council is required to set a balanced budget for its revenue estimates; so in broad terms, income received will match expenditure over the 2020/21 financial year. The 2020/21 revenue estimates cause only temporary cash flow differences, for example when income is received in a different month to when the expenditure is incurred.

However, the 2020/21 capital budget will cause a cash flow shortfall in the long term, which generates a borrowing requirement. While some of the capital budget is funded immediately, mainly with Government grants, other elements are not funded initially, leading to the cash flow deficit that requires borrowing.

Managing borrowing is part of the Treasury Management role. To help in its management, the Treasury Strategy identifies the element within the capital budget that is not funded straightaway, to anticipate the Council's borrowing requirement.

However, when the capital budget is underspent, the Council has a lower borrowing requirement than anticipated. This risk is managed in practice because the Council only borrows when there is an actual cash flow shortage.

However, the uncertainty around spend against the capital budget makes cash flow management more difficult. For example, it is less likely that the Council would take advantage of a short-term fall in interest rates, without more certainty around the timing of any borrowing need. Actions that have taken place to manage the risks relating to this uncertainty in the timing of capital spend are: Councillor and Officer challenge sessions on the capital budget; increased scrutiny of the capital forecasts in the quarterly monitoring, and the collection of additional documentation around the critical paths of individual schemes.

## **6. Legal Appraisal**

6.1 Any relevant legal considerations are set out in the report

## **7. Other Implications**

7.1 Equality & Diversity – no direct implications

7.2 Sustainability implications – no direct implications

7.3 Green house Gas Emissions Impact – no direct implications

7.4 Community safety implications – no direct implications

7.5 Human Rights Act – no direct implications

7.6 Trade Unions – no direct implications

7.7 Ward Implications – no direct implications

7.8 Implication for Corporate Parenting – no direct implications

7.9 Issues arising from Privacy Impact Assessment– no direct implications

## **8. Not for publications documents**

8.1 None

## **9. Options**

9.1 None

## **10. Recommendations**

10.1 That the report be noted by the Governance and Audit Committee and passed to full Council on the 8 December 2020 for adoption.

## **11. Appendices**

**12. Background Documents**

Treasury Management Schedules

Treasury Management Practices

Treasury Policy

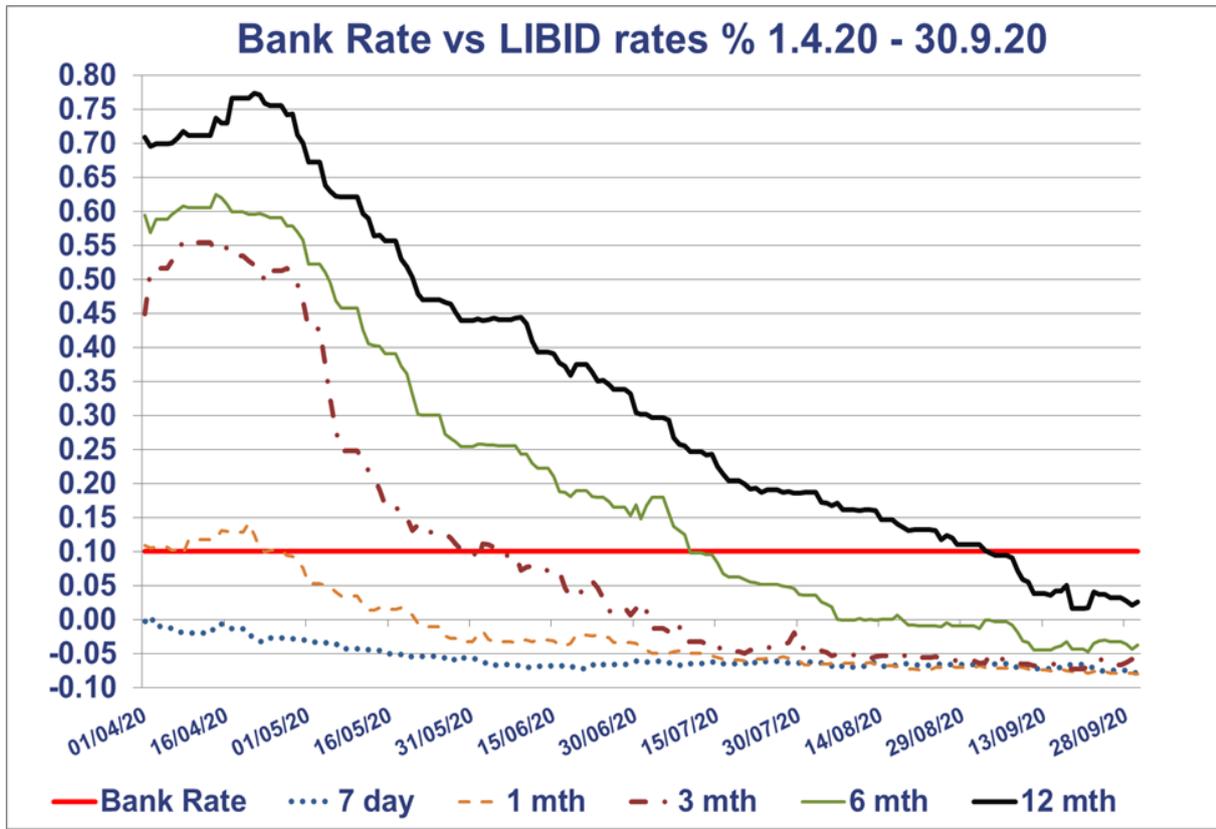
## APPENDIX 1: Prudential and Treasury Indicators as at 30<sup>th</sup> September 2020

| <b>Treasury Indicators</b>                            | <b>2020/21<br/>Budget<br/>£m</b> | <b>(Apr - Sept)<br/>Actual<br/>£m</b> |
|-------------------------------------------------------|----------------------------------|---------------------------------------|
| Authorised limit for external debt                    | £730m                            | £730m                                 |
| Operational boundary for external debt                | £720m                            | £720m                                 |
| Gross external debt                                   | £552m                            | £495m                                 |
| Upper limit for principal sums invested over 365 days | £20m                             | £0m                                   |

| <b>Maturity structure of fixed rate borrowing -</b> | <b>Upper Limit</b> | <b>(Apr-Sept)<br/>Actual</b> |
|-----------------------------------------------------|--------------------|------------------------------|
| Under 12 months                                     | 20%                | 0%                           |
| 12 months to 2 years                                | 20%                | 2%                           |
| 2 years to 5 years                                  | 50%                | 9%                           |
| 5 years to 10 years                                 | 75%                | 18%                          |
| 10 years and above                                  | 90%                | 71%                          |

| <b>Prudential Indicators</b>                   | <b>2020/21<br/>Budget<br/>£m</b> | <b>2020/21<br/>Revised<br/>Estimate<br/>£m</b> |
|------------------------------------------------|----------------------------------|------------------------------------------------|
| Capital expenditure (Revised Budget)           | £133.5m                          | £88.4m                                         |
| Capital Financing Requirement (CFR)            | £802m                            | £749m                                          |
| Ratio of financing costs to net revenue stream | 15.4%                            | 15.2%                                          |

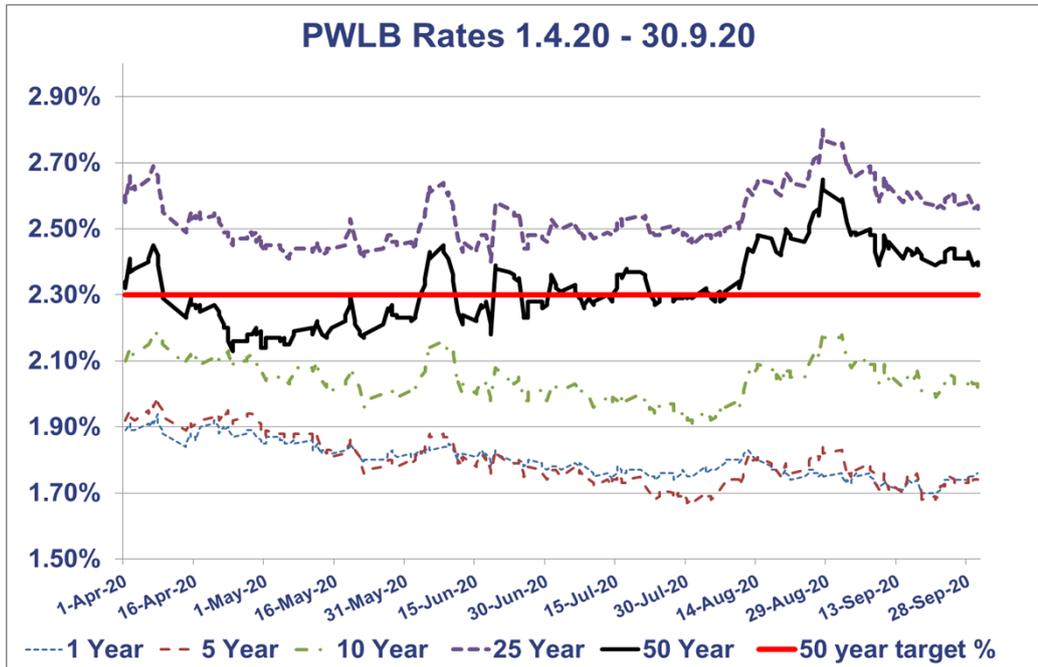
## APPENDIX 2: Investment rates



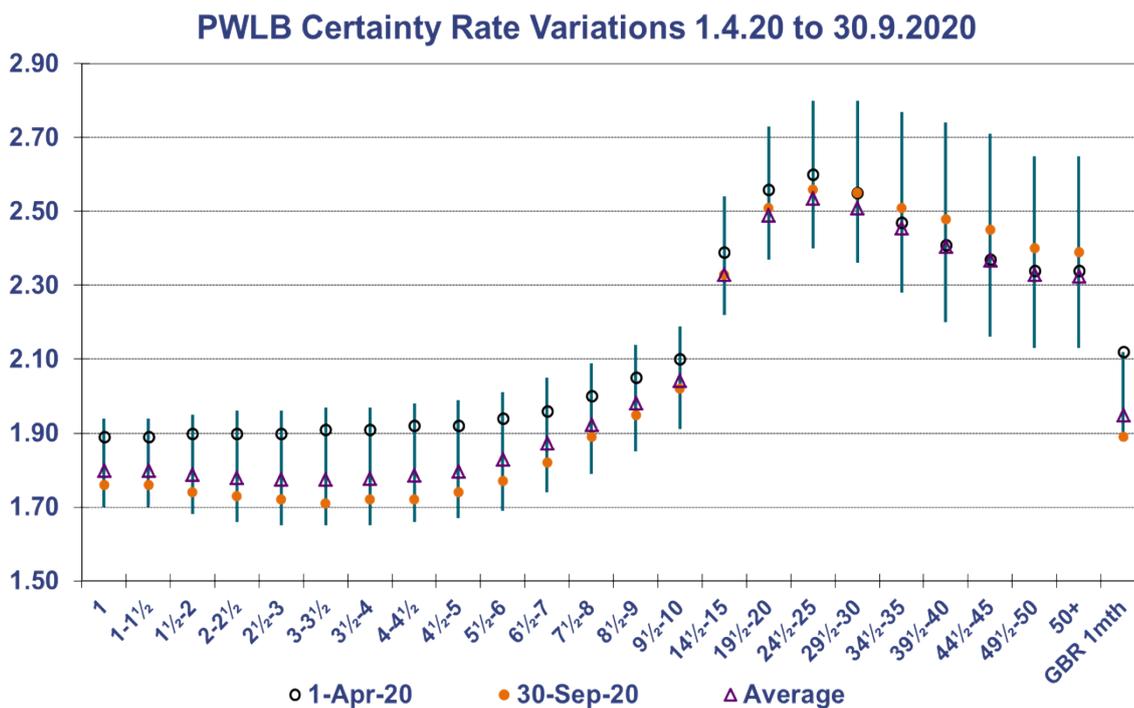
|           | Bank Rate  | 7 day      | 1 mth      | 3 mth      | 6 mth      | 12 mth     |
|-----------|------------|------------|------------|------------|------------|------------|
| High      | 0.10       | 0.00       | 0.14       | 0.56       | 0.62       | 0.77       |
| High Date | 01/04/2020 | 02/04/2020 | 20/04/2020 | 08/04/2020 | 14/04/2020 | 21/04/2020 |
| Low       | 0.10       | -0.07      | -0.07      | -0.06      | -0.01      | 0.11       |
| Low Date  | 01/04/2020 | 19/06/2020 | 21/08/2020 | 28/08/2020 | 25/08/2020 | 28/08/2020 |
| Average   | 0.10       | -0.05      | -0.01      | 0.14       | 0.25       | 0.41       |
| Spread    | 0.00       | 0.08       | 0.22       | 0.62       | 0.63       | 0.66       |

## APPENDIX 3: Borrowing rates

The following graph and tables are optional for clients to use if they wish.



|         | 1 Year     | 5 Year     | 10 Year    | 25 Year    | 50 Year    |
|---------|------------|------------|------------|------------|------------|
| Low     | 1.70%      | 1.67%      | 1.91%      | 2.40%      | 2.13%      |
| Date    | 18/09/2020 | 30/07/2020 | 31/07/2020 | 18/06/2020 | 24/04/2020 |
| High    | 1.94%      | 1.99%      | 2.19%      | 2.80%      | 2.65%      |
| Date    | 08/04/2020 | 08/04/2020 | 08/04/2020 | 28/08/2020 | 28/08/2020 |
| Average | 1.80%      | 1.80%      | 2.04%      | 2.54%      | 2.33%      |



## APPENDIX 4: Approved countries for investments as at 30<sup>th</sup> September 2020

*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.**



## Report of the Chief Executive to the meeting of Executive to be held on 1 December 2020

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**Subject:**

**CQ**

### **COUNCIL PLAN 2021 – 2025**

#### **Summary statement:**

The Council Plan is a key document that outlines the Council's overall strategic objectives as a Local Authority over a four-year period and identifies our key priorities. A draft Council Plan was approved for consultation at Executive in October. This paper outlines the results of this consultation and is the first of several key strategic documents presented to this Executive Committee including the future financial strategy, the Equality Plan, the Procurement Strategy and the Council Workforce strategy.

This report provides a final version of the Council Plan and Key Performance Indicators (KPI's) for approval (included as Appendices 1 and 2). This has been amended following an external consultation on the Council Plan, a summary of this consultation can be found in Appendix 3.

As per the Council's Constitution, the Council Plan is a key Council document. Following Executive's approval, it will need to be approved and recommended to Council for adoption.

---

Kersten England  
Chief Executive

Report Contact: Phil Witcherley/Gemma  
Paine

[Philip.witcherley@bradford.gov.uk](mailto:Philip.witcherley@bradford.gov.uk)

**Portfolio:**

**Leader**

**Overview & Scrutiny Area:**

**Corporate**

## 1. SUMMARY

- 1.1 The Council Plan is a key document that outlines the Council's overall strategic objectives as a Local Authority over a four-year period and identifies our key priorities.
- 1.2 The previous Council Plan period covering 2016-2020 ended this year and a summary of performance against this plan was tabled at Executive in July 2020.
- 1.3 A new draft Council Plan was presented to Executive in October 2020. Following Executive's approval, the draft Council Plan went for consultation with members of the public, Council employees and partners during October and November.
- 1.4 This report provides a final draft of the Council Plan and Key Performance Indicators for Executive approval (included as Appendices 1 and 2). This has been amended following an external consultation on the Council Plan, a summary of this consultation can be found in Appendix 3.
- 1.5 Following approval from Executive and Full Council, the draft Council Plan will be published and promoted in a range of formats, including an easy read version.

## 2. BACKGROUND

- 2.1 A draft Council Plan for 2021-2025 was brought to Executive on October 6<sup>th</sup> 2020 for approval for consultation. Following Executive approval, a consultation on the draft Plan took place with the public, Council employees and partners during October and November.
- 2.2 The consultation was composed of:
  - An online survey
  - A series of focus groups including membership of the Bradford and District Voluntary and Community Sector (VCS) Assembly, Women's Health Network, the Cnet equalities forum (including representatives from a range of protected characteristics, including groups for people with disabilities), faith groups, young lives forum, volunteer leads, Bradford for Everyone ambassadors, Safer Communities partnership, equalities and communities strategic group.
  - In addition to this, a focus group on the Council Plan was held with members of the public on the 17<sup>th</sup> November.
- 2.4 The consultation was promoted on the Council website, via the Council's social media channels including People Can and Safer Bradford and through forum sessions. Additionally, the consultation was promoted via the Stronger Communities e-bulletin and the People Can e-bulletin. Community Action

Bradford & District (CABAD) promoted the consultation in their Daily Briefing to the voluntary and community sector and via their social media channels. A wide number of groups were contacted to circulate and promote the consultation including the Council for Mosques and the Race Equality Network.

2.5 The consultation was also promoted at planned meetings with other strategic boards including focus groups sessions with a range of internal and external stakeholders.

2.6 Details about the consultation were also sent to the following partnership boards:

- The Parish Council Liaison meeting
- Public Services Executive Group
- Sustainable Development Partnership
- Economic Recovery Board
- Positive Aging Partnership
- Young Lives forum
- Assembly Steering Group
- Bradford District Armed Forces Covenant Partnership
- Anti-Poverty Co-ordination Group

2.7 569 people engaged with the consultation, 131 through focus groups and 438 through an online survey. A full overview of the consultation can be viewed in Appendix 3. The revised draft of the Council Plan attempts to address some of the key messages received from the consultation, including:

- Providing a greater focus on co-design and working with our communities in everything we do.
- A broader focus for the Good Start, Great Schools objectives to reflect children and young people's experiences outside of education settings including children's mental health.
- A better reflection on waste and cleanliness.
- More material covering the wider Bradford District outside of the City of Bradford.
- A renamed and wider ranging "Enabling Council" chapter to replace the previous "Well Run Council" chapter.

Changes have been made to reflected this in the attached revised Council Plan (included as Appendix 1)

### **3. OTHER CONSIDERATIONS**

#### **3.1 PERFORMANCE INDICATORS**

A number of Key Performance Indicators were approved at Executive in September of consultation. These will enable us to track our progress overtime and play our role in supporting the UN Sustainable Development Goals. Based on feedback the following Key Performance Indicators (KPI's) have been proposed further to those agreed at October's Executive meeting. These are included in Appendix 2 for approval and include:

- A target on employees with a disability
- A target on Council Tax collection rates.

#### **3.2 WORKING IN PARTNERSHIP**

As a Council, we are aware that we cannot work to deliver our priorities alone and will work in collaboration with our partners and communities. Further collaborative work will be outlined within the District Plan which is currently being refreshed.

### **4. FINANCIAL & RESOURCE APPRAISAL**

- 4.1 The priorities set in this report have been followed in the budget setting process as outlined in the finance paper presented to this Executive committee.

### **5. RISK MANAGEMENT AND GOVERNANCE ISSUES**

- 5.1 The final draft of the Council plan will need to be considered and adopted by Full Council in accordance with the Council's constitution.

### **6. LEGAL APPRAISAL**

- 6.1 Implementation of the Council Plan will have legal implications, in specific areas such as employment law, environmental law, social care law and procurement, in addition to public law issues. Legal support and guidance will be provided as required to support the plan's implementation.

### **7. OTHER IMPLICATIONS**

#### **7.1 EQUALITY & DIVERSITY**

- 7.1.1 Equalities must be at the heart of all we do. To secure the benefits of diversity we are building an inclusive organisation that actively recognises the contribution that people from different backgrounds make to all aspects of the Council's work and the District's communities.

7.1.2 Our Equality Objectives and the plans that sit alongside them are presented at this Executive Committee as a separate item.

## **7.2 SUSTAINABILITY IMPLICATIONS**

Following the Council's decision to declare a climate emergency, the draft Council Plan includes a new outcome area on sustainability. This underpins the seriousness in which the Council takes this issue.

## **7.3 GREENHOUSE GAS EMISSIONS IMPACTS**

As in 7.2

## **7.4 COMMUNITY SAFETY IMPLICATIONS**

The draft Council Plan provides a high level overview of our work on the Safe, Strong and Active objective. The intention of this objective is to build safe communities, working with partners such as the Police. This underpins the importance in which the Council places on community safety for our residents and businesses.

## **7.5 HUMAN RIGHTS ACT**

No direct issues arising from this report.

## **7.6 TRADE UNION**

No direct issues arising from this report.

## **7.7 WARD IMPLICATIONS**

No direct issues arising from this report.

## **7.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)**

No direct issues arising from this report.

## **7.9 IMPLICATIONS FOR CORPORATE PARENTING**

No direct issues arising from this report.

## **7.10 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT**

No direct issues arising from this report.

## **8. NOT FOR PUBLICATION DOCUMENTS**

None.

## **10. RECOMMENDATIONS**

- (1) That the draft Council Plan set out in Appendix 1 and draft KPI's and targets in Appendix 2 be approved.
- (2) That following approval, the draft Council Plan and the draft KPI's be presented to Full Council for full adoption.

## **11. APPENDICES**

**Appendix 1 – Final Draft Council Plan**

**Appendix 2 – Final Draft Key Performance Indicators**

**Appendix 3 – Consultation Summary**

## **Appendix 1: Final Draft Council Plan**

Foreword from Council Leader Councillor Susan Hinchliffe and Chief Executive Kersten England

### **Foreword**

Our Council Plan has been developed amidst unprecedented levels of challenge, complexity and uncertainty as we work alongside our partners and communities to tackle the COVID-19 pandemic.

What has become crystal clear is the critically important role that Council staff, services and resources have played, and continue to play. They are vital to getting our schools, businesses and services back to work while keeping people supported and safe, preventing the spread of infection and maintaining essential services.

In rising to the challenge our staff have taken their place among the nation's key worker heroes. They have earned long overdue recognition for the things they do day in and day out that contribute to the quality of life of everyone, yet are often taken for granted. They care for the vulnerable, collect our waste and recycling, keep our streets safer and cleaner, and they support communities to be stronger.

Less visible, but no less important, is the work we do to help the district's businesses, city and town centres and economy to stay open; to support skills, schools, children and young people; to provide access to green spaces; give homes to the homeless; and plan for the future.

Council services will continue to play a key role as we adapt to living alongside COVID-19 and as we build a better future.

As we have little certainty with which to plan for that future we must be responsive to changing circumstances. But the fundamental challenges we faced before the pandemic are the same ones we face throughout it, and beyond. They have shaped the priorities in this plan.

Advancing educational attainment, raising skills and productivity, and attracting new jobs and investment. Tackling the climate emergency, improving transport connectivity and capitalising on our cultural assets. Keeping communities safe, clean and active, sustaining quality local services and addressing long-standing issues of low income, poverty, inequality and poor health and housing. These issues are central to achieving our ambitions for an inclusive and sustainable district offering opportunities to everyone.

COVID-19 hasn't dampened our ambition, but it has had a disproportionate impact on the poorest and most vulnerable, Black, Asian and Minority Ethnic (BAME) communities, people with disabilities, women and carers. It has widened inequality so we must put working to secure equality and social justice at the heart of all we do.

Resources will remain under pressure and we know the Council has to transform the way it does things in order to sustain services and improve outcomes. The Council must focus on early help and prevention to reduce pressure on expensive crisis services; be bold and inventive; and work to ensure that every pound, every ounce of effort and every day at

work has the maximum impact.

Of course, we will make little progress working alone. Collaboration with others to understand the district, design services and deliver solutions is essential to our prospects for success.

Over 80% of Council staff live in the district. Few councils have a workforce so rooted in and connected to the place that they serve. The tremendous asset that this represents has been evident in the commitment, ingenuity, passion and pride that has characterised the response to COVID-19. These are the qualities that will keep us on course through the pandemic, and beyond, to deliver this Council Plan and progress towards a fairer, more prosperous Bradford District.

### **Overview: Our district**

City of Bradford Metropolitan District Council, working alongside public and private sector partners and communities, delivers services and democratically accountable leadership to a diverse population of over 530,000 people and around 16,000 businesses.

The Council strives to secure better outcomes and equality of opportunity for everyone. It employs more than 8,000 staff.

The Bradford District is the fifth largest Metropolitan Local Authority District in England. It is the youngest district in the UK with nearly a third of the population aged under 20. And it's diverse – ethnic minorities form a third of the population with more than 150 languages spoken within the district.

Geographically, our district includes the city of Bradford itself, the large town of Keighley and a number of smaller towns and villages many with their own strong and distinctive identities.

Outstanding landscapes complement historically important architecture alongside a rich heritage and vibrant contemporary cultural scene. Ilkley Moor, Haworth and Brönte Country, Saltaire World Heritage Site and the National Science and Media Museum in the city centre, amongst a host of other sites, attract 10 million visitors a year.

The scale, diversity and productive potential of the district is reflected in its strong, broad-based, innovative and entrepreneurial business community, which is part of an overall local economy worth £9.5 billion, the 11<sup>th</sup> largest in England.

Bradford District is home to high-value production businesses across a wide range of sectors, including food manufacturing, engineering, chemicals, digital technologies, energy and utilities. Many businesses support international supply chains in sectors such as automotive, construction, finance and health, making us one of the most internationally connected cities in the UK. The University of Bradford is a hive of technological innovation.

We are proud to be identified by Barclays Bank as the best place in Britain to start a business, named as one of the Sunday Times' top 20 places to do business, and identified as the most improved city in the Price Waterhouse Cooper's Good Growth 2019 Index.

The district has a strong and committed network of voluntary and community organisations

with an estimated 30,000 regular volunteers and 100,000 occasional volunteers. The spirit of our communities is a tangible asset that we want to work on more with people in the future to develop and deliver our shared objectives.

Public services and the voluntary and community sector have a strong track record of working together in mature and effective partnerships and the district's work to bring communities together and promote participation is among the most innovative to be found anywhere in the world.

While the Council and its partners have plenty of assets to work with, the district, like anywhere of its size and complexity, faces some significant and persistent challenges.

- **Poverty:** Whilst the District includes some of the wealthiest areas in northern England, the Bradford District is the fifth most income-deprived in the country. Some 266,000 people live in the poorest areas and nearly one third of our children live in poverty. Fuel poverty affects 13.5% of households. Health inequalities persist and the gap in life expectancy between the wealthiest and poorest areas of the district is around nine years for men and around eight years for women. These levels of poverty and inequality are unacceptable and increase the demand for public services.
- **Connectivity:** We need to do more to improve transport connectivity to Bradford, Keighley and Shipley. Bradford is the largest city in the UK not on a mainline rail station and travel times between all parts of the district and the wider north are too long.
- **Education and skills:** While progress has been made in closing the gap in educational attainment between the district and the national average it has not gone far enough or fast enough and the adult skills base remains relatively low. This affects productivity and potential inward investment decisions.
- **Resources:** The district has high levels of need and demand for public services but the Council has limited ability to raise income locally. Our Band D Council tax is 8% below the average for Metropolitan authorities and 80% of our households are below Band D.

## Living with COVID-19

The coronavirus pandemic has presented additional challenges and tests to our organisation, our communities, our public sector partners and our businesses.

COVID-19 has intensified the deep inequalities that already existed in our society. It has had a disproportionate impact on our most disadvantaged people, including young people, large and persistently deprived communities, BAME, women, migrants, people in poverty and on low incomes, and the elderly. As we are the UK's youngest city we are concerned about the impact on our children's health and future prospects. Addressing this is a key priority for the next four years.

The full implications of COVID-19 on the district and its economy are still to be fully understood. Modelling commissioned by the West Yorkshire Economic Recovery Board demonstrates the significant impact the pandemic could have on businesses and

communities.

Even in the event of a relatively strong recovery, the district's economy is still set to shrink over the next year, in line with national trends. If we see a slower, uneven recovery, modelling suggests our economy could shrink by almost 30% by the end of 2021. This will have an impact not only on businesses, but also on people's jobs and livelihoods.

The way we operate and deliver Council services has changed during the pandemic. Apart from frontline roles, most of our staff and councillors are now working remotely with video conferencing replacing physical Council meetings.

Tackling COVID-19 has affected our financial position significantly. It has brought many new costs and has increased demand in many services. At the same time, it has reduced our ability to raise funds and collect expected income from fees and charges.

### **Our Priority Outcome Areas**

This Council Plan will help to set our priorities and inform our future budget and medium-term financial strategies. We have placed a fair, inclusive and sustainable recovery at the heart of this.

In terms of future activity each of our priority areas are divided into two sections:

- a) Living with COVID-19** – how we help our residents, businesses and places overcome the ongoing challenges presented by the coronavirus pandemic.
- b) Building a Better Future** – how we work to secure a better long-term future for the district, its people, its communities and its businesses.

Our priority outcomes are:

- **Better Skills, More Good Jobs and a Growing Economy** - We will grow our local economy in an inclusive and sustainable way by increasing productivity and supporting businesses to innovate, invest and create great jobs.
- **Decent Homes** - We want everyone to have a comfortable home which meets their needs and helps them lead fulfilling lives.
- **Good Start, Great Schools** - We will help our children to have the best start in life by improving life chances, educational attainment and overall quality of life for all young people regardless of their background.
- **Better Health, Better Lives** – We will help people from all backgrounds to lead long, happy and productive lives by improving their health and socio-economic wellbeing.
- **Safe, Strong and Active Communities** – We want the Bradford District to be a place where everyone can play a positive role in their community and be proud to call the district their home.
- **A Sustainable District** – We will make it easier for individuals, households and businesses to adapt, change and innovate to help to address the climate emergency, reduce carbon and use resources sustainably.
- **An Enabling Council** – We will be a council that is a great place to work and reflects the communities we serve. Our people will have the tools to do their jobs effectively. We will manage our resources well and seize all opportunities to bring funding into the district. We will provide good, accessible services.

Our work will be underpinned by the following cross-cutting principles:

**Equalities must be at the heart of all we do:** This means that everyone can access services regardless of their background, that we embrace our different communities across the whole district and that we build an inclusive organisation. We want to be an organisation which actively recognises the contribution that people from different backgrounds make to all aspects of the Council's work and the district's communities. Our Equality Objectives are published alongside this plan and feature across our outcome areas. Our Equality Objectives and accompanying Equality Plan for the period 2020-2024 will outline how we intend to keep equalities at the heart of all we do.

**Working together:** We will work with our communities to get them involved at every opportunity. We will empower individuals so that they can be involved in the process of designing how outcomes are achieved. We will collaborate with other public sector organisations and our communities to ensure residents and businesses have the best opportunity to reach their potential. Together we will be strong, creative, innovative and effective, compassionate and thoughtful, delivering the very best services for all. We recognise that no single organisation can achieve our priority outcomes alone and that partnership and working together will be central to success.

**Early help and prevention:** This means we will support people early and in their communities to prevent their needs from escalating and to improve their outcomes. This will reduce demand on services and improve the quality of life of individuals. We will be supported in delivering on this cross-cutting principle through our Early Help Board Strategy and Action Plan.

**Every pound counts:** We will adopt effective and value-for-money approaches to service delivery. We will increase the proportion of Council resources spent locally to help grow the Bradford District economy and develop our local supply chains. We will ensure that services are creative, innovative and effective to provide the best outcomes for our residents and businesses. Working with others, we will ensure we get the best and most effective value for every pound spent in Bradford District. Internally the Council has a number of strategies and plans in place, such as our Financial Strategy, our Procurement Strategy and our Council Workforce Plan.

**Living Well:** We will work alongside our communities and our partners in the NHS, independent sector and Voluntary and Community Sector, to embed Bradford's Living Well, whole systems approach to improving health and wellbeing for everyone. With energy and commitment, we will actively pursue the Living Well mission – to make it easier for people in the district to adopt healthier lifestyle behaviours' – and in doing so, reduce preventable health conditions, (including childhood obesity), reduce premature deaths and increase the number of years that the district's people live in good health and wellbeing.

**Safeguarding:** Bradford District will work with partners and communities to do everything it can to ensure that children and adults at risk in the District are kept safe. We will work together to deliver this principle with collaboration with our children's and adult's safeguarding board. This is not just a role for professionals in social care, but will be part of everyone's role in the authority.

We will also embrace the Bradford District Shared Values which have been developed

with our local communities and stakeholders where over 1,400 were engaged in the process.

## Bradford District Shared Values



We **PROTECT** each other and the world we share so that everybody can be happy, healthy and safe



We **RESPECT** ourselves, each other and our communities



We **SHARE** ideas, resources, knowledge and skills as well as our challenges and opportunities



We **CARE** for each other and treat each other with kindness



## **PRIORITY AREA: Better Skills, More Good Jobs and a Growing Economy**

### **Our ambition:**

We will grow our local economy in an inclusive and sustainable way by increasing productivity and supporting businesses to innovate, invest and create great jobs in the district.

Our economic growth will be inclusive, sustainable and resilient. We will make sure everyone can contribute to and benefit from growth, helping the long-term unemployed, people with long-term conditions and care leavers into the labour market. We will build a fairer and more cohesive district.

We will make sure growth protects our physical and natural environments, meeting this generation's needs without compromising those of future generations. We will work to ensure our recovery unlocks new opportunities, such as in the low-carbon sector and the digital economy. This will make us stronger and more resilient to future economic trends and shocks.

### **Our context:**

Our local economy has many powerful assets. These include a vibrant small and medium enterprise sector, a number of nationally significant businesses and a growing reputation as a great place to start a business within the UK.

We have a number of challenges including:

- Helping businesses and individuals adapt to the changes in the economy and nature of work as a result of COVID-19 so the local economy can recover safely and effectively and people can access good jobs.
- Creating jobs in new growth sectors.
- Helping people to get the education and training they need to secure highly skilled jobs.
- Tackling transport connectivity across the district and beyond.
- Improving employment outcomes for everyone. This has been made worse as a result of COVID-19 as businesses close, which has hit young people, low-paid workers and BAME residents hardest.
- Supporting our businesses to make the transition as the UK exits the European Union, with or without a deal.

### **Our priorities:**

#### **a) Living with COVID-19**

We will:

- Help people into work and give them the skills to succeed. To do this we will create a flexible and agile skills service to retrain local residents who find themselves unemployed, are entering the job market for the first time or are considering self-employment. We will work with businesses to support workforce mental health and wellbeing, which will help boost productivity.
- Help businesses access support to innovate and adapt to the challenges of COVID-19. We will connect businesses to financial and other support packages. We will help businesses to embrace new digital ways of working. We will use our local procurement powers to increase the social value of contracts and develop our local supply chain.

## **b) Building a Better Future**

We will:

- Ensure our young and enterprising population are equipped with the skills and confidence to succeed. We will connect our population to employment opportunities across the district, the North and the UK.
- Support people furthest from the labour market, including those with learning disabilities, into work. We will create new employment opportunities, particularly in sectors with workforce shortages such as health and social care.
- Provide digital platforms and infrastructure to support employment growth and retraining via remote learning, access to peers and wider networks.
- Make the most of our distinctive features and use our unique architecture, heritage and cultural assets to create an environment for growth.
- Develop an outstanding bid to become the UK City of Culture in 2025.
- Create a strong city centre business destination through investment in the One City Park office scheme and other developments.
- Work with the Towns Fund boards to improve the prosperity of Keighley, Shipley and other places in the district.
- Develop and deliver our cultural strategy, Culture Is Our Plan, in recognition of the cultural sector's rich contribution to economic and social wellbeing.
- Work with Arts Council England and National Heritage Lottery to win funding and support for projects.
- Use our cultural assets to attract more visitors to all parts of the district, drive economic growth and create new jobs in the cultural, creative and tourism industries.
- Build on our strong and diverse economy to increase innovation, creativity, productivity and prosperity.
- Make the most of the 'Bradford District Pound' and ensure that an increasing proportion of our £475 million third-party spend goes to local businesses and community organisations.
- Provide enterprise support to our thriving business community and help people who want to start their own businesses.
- Support social enterprises and social entrepreneurs through the Local Access Fund and Impact Hub investments in the district.
- Improve our transport infrastructure by securing support and investment in key projects including the city centre Northern Powerhouse Rail station, Northern Connect, City Centre and Rail Station Masterplans, Calder Valley Rail Line Upgrade and Skipton-Colne rail link.
- Improve digital connectivity to speed up business growth and connect more people to opportunities in the digital economy. We must ensure businesses are able to access high-speed broadband wherever they are in the district.
- Help businesses to increase exports and grow global trade links. We will ensure businesses have the information and support available to thrive following the exit from the European Union.
- Develop the cultural offer in the district through key projects including supporting the successful delivery of the former Odeon cinema into a premier live music venue.

### **How we will measure success:**

1. Increase the years of healthy life expectancy (at birth) in both males and females and close the gap with the national average (shared target with Better Health, Better Lives)
2. Increase the percentage of people with NVQ Level 3 and above and close the gap with the national average.
3. Increase the amount of Council spending on resources locally to 50% of total by 2024.
4. Increase employment overall and close the gap with the national average trend.
5. Increase the earning of employees in the area and close the gap with the national average.

The underpinning plans and strategies that will enable us to deliver on this priority include:

- Pioneering, Confident & Connected - An Economic Strategy for Bradford District 2018-2030
- People, Skills, Prosperity - Bradford District's Workforce Development Plan
- Bradford Council Procurement Strategy

## **PRIORITY AREA: Decent Homes**

### **Our ambition:**

We want everyone to have a comfortable home which meets their needs and helps them lead fulfilling lives.

We will increase the supply of homes of the right type, quality and location to meet the needs and aspirations of our diverse and growing population. We want more high quality homes in neighbourhoods where people want to live and can thrive. We want more

developments of the highest quality. We will retrofit existing stock to create homes that are energy efficient and adaptable.

We will work with partner agencies and communities to improve management of our neighbourhoods. We will help ensure the district has green, safe, inclusive, and cohesive places which people are proud to call home.

We will support residents to live independently. We will make sure elderly and vulnerable people can access specialist housing that meets their needs. We will help homeless people into permanent accommodation.

### **Our context:**

Bradford District offers a range of housing choices including attractively priced terraces in close-knit city neighbourhoods, quality social housing in well-kept estates, unique Victorian squares with spacious family accommodation, city centre apartments in new-build schemes or listed buildings in architecturally renowned locations like Little Germany, and executive family homes near beautiful countryside and in some of the most prosperous towns and villages in the country.

We have a number of challenges including:

- Impact of COVID-19 on the housing market, particularly on the incentive to invest to improve the quality of housing.
- Impact of COVID-19 in delaying the delivery of capital investment schemes, on both large and small scale.
- Large number of empty homes.
- Lack of large family accommodation to meet the needs of extended families.
- Changing needs and aspirations of an ageing society.
- Financial viability of developing housing that meets the needs of specific users such as older people and people with disabilities.

### **Our priorities:**

#### **a) Living with COVID-19**

We will:

- Maintain social distancing and infection control measures in social housing as much as possible.
- Ensure we keep rough sleepers in accommodation where possible, helping to prevent the spread of infection.
- Work with Government, developers and partners to maximise funding opportunities and the delivery of new homes and improved homes by managing the impact of additional COVID-19 precautions.
- Work with the Government, Leeds City Region and delivery partners to make the most of energy efficiency measures in the Government's new green voucher scheme and other programmes.

#### **b) Building a Better Future**

We will:

- Increase the supply of homes of the right type, quality and location to meet the needs of our population, including those with specialist needs.
- Improve the quality of poor housing stock by encouraging and supporting private sector owners and landlords to bring properties, including empty homes, into good repair.

- Support our residents who have a range of specific and specialist needs by improving access to suitable housing and help them sustain tenancies.
- Use Council-owned land and buildings to create good quality new homes, including on brownfield sites where possible.

**How we will measure success:**

1. Achieve at least 1,703 net new home completions per year.
2. Achieve at least 411 affordable housing units per year.
3. Increase the number of private sector homes with improved housing conditions as a result of our interventions.
4. Continue to be above regional and national average rate for homelessness preventions.

The underpinning plans and strategies that will enable us to deliver on this priority include:

- A Place to Call Home, a Place to Thrive Housing Strategy for Bradford District 2020 – 2030
- Bradford Homelessness and Rough Sleeping Strategy 2020 – 2025

## **Good Start, Great Schools**

### **Our ambition:**

We want Bradford to be a great place to be a child – a place where all our children and young people are given the best start in life and can develop their talents and abilities to the fullest extent. This is reflected in our ambition to become a Unicef Child Friendly District, where the voice of the child is at the heart of all we do and all our children and young people have the opportunity to develop, thrive and prosper.

We will provide the best start by providing high-quality early childhood education and welfare services for all. From this secure base, we will ensure our children can develop their talents by creating a long-term, sustainable improvement in school attainment for all our children and young people.

We want Bradford to be a safe and secure place for children and young people to grow up. We will continue to work with our partners in education, health, police and the community on safeguarding to keep children safe and respond to child protection concerns.

We will work tirelessly to reduce the educational attainment gap and ensure no child is left behind so that our most vulnerable children and young people are protected. Education and schooling should be an engine of opportunity that maximises our children and young people's talents and abilities to their fullest extent and prepares them for successful transitions into adult life, whatever their background.

### **Our context:**

Bradford District is one of the youngest, most diverse places in the country.

Bradford District has a rich cultural and arts scene with world-famous events such as the Bradford Literature Festival. There are great youth and leisure services, award-winning social cohesion programmes and innovative support programmes for some of our most vulnerable children and young people.

In Born in Bradford, we have a unique and internationally renowned research institute, based at Bradford Royal Infirmary, which helps us understand the challenges and opportunities faced by children and young people in the district.

We have a number of challenges including:

- Too many of our children grow up in poverty. COVID-19 has increased the number of children growing up in poverty and the pressure on their families.
- There are great inequalities in health. Our poorest children can expect to live shorter and less healthy lives than our wealthiest children. Children growing up with health problems or whose care is affected by their parents or guardians' ill health are significantly disadvantaged in education. COVID-19 has exacerbated health problems, particularly childhood mental health problems.
- Educational attainment and progress across all stages of education from early years onwards is below the national average and COVID-19 has shown a growing digital educational divide.
- Educational and social outcomes for our most vulnerable and disadvantaged children and young people need to be improved. This is all the more important because the

pandemic has widened the education gap between our poorest and most vulnerable children and the rest.

- COVID-19 has disrupted our children's education. Getting all our children and young people safely in education, ensuring schools are COVID-19 safe places and parents have confidence in sending their children to school is an immediate priority. The pandemic has meant that our children and young people have missed six months of education. The impact of this will be felt by all but falls heaviest on the poorest and most vulnerable who lack access to digital learning and support outside school.

### **Our priorities:**

#### **a) Living with COVID-19**

We will:

- Support schools with clear infection control and response procedures to protect their staff, pupils and families.
- Provide children and young people with the equipment and support to learn flexibly, including at home.
- Work with partners to make sure that no child goes hungry through this pandemic. We will continue to provide healthy meals to the District's schools, minimising the use of salt and sugar in food production and also reducing the use of plastics.
- Work with early years settings to ensure that parents are able to access childcare to enable them to work.
- Work as a whole system to promote, protect and improve children and young people's mental wellbeing to be happy and healthy

#### **b) Building a Better Future**

We will:

- Ensure children are at the heart of everything we do, and ensure we continue on our journey to become a Unicef Child Friendly District.
- Improve attainment of children and young people at all Key Stages so that they can secure employment and be active and positive citizens.
- Improve levels of attendance so that children and young people can achieve their academic expectations.
- Deliver our 0-5 Early Years Programme including a prevention and early help offer for families to support children and young people from conception to five years.
- Improve social mobility for children, including through the continuation of the Opportunity Area programme, which focuses on children in the most deprived areas of the district.
- As a good and responsible corporate parent, we will support our children and young people in care to achieve their full potential in education and learning.
- Work with early years providers to ensure sufficient places for all children in the district.
- As a good and responsible corporate parent, improve and increase apprenticeship and training opportunities in the Council and district for young people in care and care leavers.
- Work with partners to ensure we have an evidence-based approach to all we do. This includes working with Born in Bradford to make sure that all our interventions are based on Bradford-specific research data.

### **How we will measure success:**

1. GCSE Level 4 English and Maths results to close the gap with the national average.

2. Reduce persistent absence faster than national trend.

3. Improve Key Stage 2 results in line with national trends in Reading, Writing and Maths.

4. Improve Key Stage 1 Phonics in line with national trends.

The underpinning plans and strategies that will enable us to deliver on this priority include:

- Bradford Children, Young People and Families Plan
- Bradford District Education Covenant

## **PRIORITY AREA: Better Health, Better Lives**

### **Our ambition:**

We will help people from all backgrounds to lead long, happy and productive lives by improving their health and socio-economic wellbeing.

We will strive to provide personalised health and care services to support quality of life at every stage. We will transform how services are delivered with a digital-first, citizen-centred approach.

We will intervene when necessary to keep our children safe and ensure that residents in need can access services to maintain dignity and independence. We will continue to work with our partners in health, police and the community on to keep vulnerable children and adults safe and secure.

### **Our context:**

COVID-19 has had a devastating impact on health and social care provision. It has meant that services and resources focused on self-care, prevention and early intervention to reduce demand on public services have had to be shifted to manage the pandemic.

COVID-19 has disproportionately affected those facing financial hardship and vulnerable people in our communities, as well as people from BAME groups, widening health inequalities.

The gap between the most deprived and least deprived remains large and will require sustained effort and targeted investment in the most deprived communities and neighbourhoods.

We will need to move resources and investment towards prevention and early intervention activities and make sure allocation is based on need. This will help citizens make long-term positive behaviour changes to improve their health and wellbeing.

Addressing historic health and wellbeing inequalities will require a collective, whole system effort from all partners within the district's health and social care system. It is vital that common areas of need – or interdependencies – across the system are identified and that resources are used to complement and add value.

We recognise the challenges made by Ofsted in 2018 about the quality of children's social care services. We are currently working through our plan to improve children's social care services and aim to be out of special measures by 2024.

### **Our priorities:**

#### **a) Living with COVID-19**

We will:

- Make sure robust control measures are in place to reduce infection rates and prevent future outbreaks of COVID-19, including Test and Trace, information, advice and guidance for residents and service providers, and we will respond to COVID-19 outbreaks swiftly and effectively.

- Ensure timely interpretation and localised implementation of national guidance to ensure our plans and approach continue to protect and support residents.
- Maintain provision and support to meet the health and wellbeing needs of all adults and children, while ensuring the most vulnerable and high risk groups are prioritised.
- Use our learning and experience from COVID-19 to accelerate our transformation plans to redesign services to continue our support for communities to help themselves and each other. This will improve outcomes for individuals and families and avoid increased demand on statutory services.

## **b) Building a Better Future**

We will:

- Use a targeted approach to reduce health and socio-economic inequalities by providing support to our service users that is appropriate to their needs and culture and focusing on interventions to improve air quality, reduce obesity and improve physical activity levels.
- Work with partners including education providers, NHS, the police and the voluntary and social sectors to move budgets to prevention and early intervention for all ages. As part of this work, we will deliver a prevention and early help offer for families to support children from conception to five years.
- Improve self-care and personalisation services for adult social care and tailor support to the long-term health and wellbeing needs of individuals.
- Transform how services are delivered with a digital-first, citizen-centred approach. Our services will remain accessible to all those for whom using digital channels will never meet their needs.
- Work closely with our partners across the health and social care system to ensure that resources are pooled, prioritised and channelled to address shared outcomes. This is being enacted through the 'Act as One' strategy and formalised through a Section 75 agreement with the NHS.
- Improve the mental wellbeing and resilience of adults and children through our partnership approach to prevention and early intervention with education providers, NHS, the police and the voluntary and social sectors.
- Strive to make sure that all children are safe. We will prevent and reduce the impact of adverse childhood experiences. We will achieve an improved Ofsted assessment for our children's services.
- Support the protection and welfare of vulnerable children, including providing specialist advice and representation to assist Children's Social Care in achieving their improvement goals following the Ofsted inspection in September 2018.
- Continue to support the continuation of the innovative approach within the Family Court in West Yorkshire.

### **How will we measure success:**

1. Increase the years of healthy life expectancy (at birth) in both males and females and close the gap with the national average (shared target with Better Skills, More Good Jobs and a Growing Economy)
2. Reduce levels of childhood obesity.
3. Increase levels of physically active adults and close the gap with the national average.
4. Bring percentage of referrals to Children's Social Care in the year which were within 12 months of previous referral closing in line with our statistical neighbours.
5. Reduce percentage of children in care with three or more placements during the previous year in line with our statistical neighbours.

6. Improve the emotional wellbeing of Children in Care.
7. People with learning disabilities in settled accommodation. To move up one quartile based on 2018-19 published national data (Adult Social Care Outcomes Framework (ASCOF) data).
8. Percentage of adults who have a learning disability in paid employment. To move up one quartile based on 2018-19 published national data (ASCOF data).
9. Maintain the 2019-20 performance of 555 per 100,000 population (or below) permanent 65+ admissions to residential and nursing homes.

The underpinning plans and strategies that will enable us to deliver on this priority include:

- Health and Wellbeing Strategy
- Children's Services Improvement Plan
- Living Well
- Bradford Children, Young People and Families Plan
- Home First - Our vision for wellbeing
- Joint District Health and Wellbeing Strategy
- Happy, Healthy and at Home
- Health & Wellbeing – (Adult Social Care) - Commissioning Strategy and Intentions 2019 – 2021
- Better health and wellbeing for everyone: Our five year plan – West Yorkshire and Harrogate Partnership
- Mental wellbeing in Bradford district and Craven: a strategy 2016-2021
- Care Quality Commission System Review

## **PRIORITY AREA: Safe, Strong and Active Communities**

### **Our ambition:**

Our ambition is to make the Bradford District a great place for everyone to live: one that each one of us can play an active role in, be part of, be enriched by, and feel proud of calling our home.

### **Our context**

COVID-19 presents complex challenges to a district as young and diverse as the Bradford District. As we face them and look to a better future beyond the pandemic we know that we have solid foundations to build that future upon.

We know our communities well – 82% of Council staff live in the district, many with deep rooted connections to our places and people. Decades promoting integration and cohesion have taught us valuable lessons and led to pioneering partnership initiatives such as the School Linking Network; our community ambassadors providing critical insight into the assets and needs of our communities; innovative approaches to increasing participation in the economy; and internationally recognized work to combat racism and extremism.

Our understanding of our communities has been integral to our response to the pandemic as has our recognition that the Council achieves little acting alone. Strong, mature partnerships with our Voluntary and Community Sector and Police, developed over many years, have been critical to community resilience and wellbeing and will continue to be so throughout COVID-19 and beyond.

'People Can' is at the heart of working with people as individuals, families and communities to help get the very best outcomes. We are committed to doing things with people, not to them.

However, we are only too aware of the impact that the behavior of a minority has on the quality of life of the responsible, law-abiding majority. We see it in dangerous and anti-social driving, the drug deals, the litter on our streets and the affront of fly-tipping. Spelling out responsibilities as well as rights and taking robust action to identify and prosecute offenders will be key to our work.

COVID-19 is widening inequality and threatening community cohesion. Hate crime, domestic abuse and social isolation have increased. We must continue to work together with communities and align our local and district-wide services so we can all play a part in creating and sustaining strong, active and safe places.

### **Our priorities:**

#### **a) Living with COVID-19**

We will:

- Work with our communities, volunteers and community organisations to reduce social isolation as a result of COVID-19 and support the building of community resilience and cohesion.
- Ensure residents of all communities have access to the support they need.
- Increase the awareness and confidence among victims of domestic violence and hate crimes to report incidents and seek help.

## **b) Building a Better Future**

We will:

- Work to empower communities so we do things with them not to them.
- Improve equality of opportunity by addressing factors affecting economic participation and poverty, including language skills and educational attainment.
- Help people get on better with each other by promoting greater interaction, dialogue and understanding across the district.
- Make sure people fully understand their rights, freedoms and responsibilities.
- Create opportunities for people to take part in community and civic life and strengthening leadership. We will nurture and grow a resilient and vibrant voluntary and charitable sector.
- Keep the district clean and tidy, including waste collection, keeping our public spaces clean and tidy and continue to support measures to address fly tipping.
- Tackle crime and the fear of crime so everyone feels safe.

### **How we will measure success:**

1. Improve the percentage of people from different backgrounds who get on well together and close the gap with the West Yorkshire average.
2. Increase the overall value of Council commissioning spend on charity and voluntary sector contracts. Target is an increase on current spend of £22.2m per year.
3. Reduce the number of people killed or seriously injured in road accidents in Bradford District.
4. Increase in percentage of Your Views survey respondents who say they feel safe in their local area (rolling year) including an improvement in comparison with West Yorkshire average.

The underpinning plans and strategies that will enable us to deliver on this priority include:

- Stronger Communities Together Strategy and plan
- Safer Bradford Plan
- Bradford Domestic and Sexual Violence Strategy 2015-20

### **Our ambition:**

Effective climate action presents challenges but also offers opportunities to generate sustainable, clean and fair economic growth, and improve health and wellbeing and environmental quality. We want the Bradford District to be at the forefront in taking advantage of these opportunities.

We acknowledge we need to reduce our carbon emissions to tackle the climate emergency. This will require urgent and significant steps to limit our collective impact on the climate and ensure our residents, businesses and public sector partners can adapt to the challenges of the future.

We want to lead by example and become one of the best councils in the country for our record on reducing carbon emissions and become known for our proactive management on biodiversity, water management. We will make it easier for individuals, households and businesses to adapt, change and innovate to address the challenges presented by climate change.

We will develop a Single Use Plastics Policy and implementation plan to help the Council become a single use plastic-free organisation by 2024.

### **Our context:**

Bradford Council declared a Climate Emergency in 2019 and we are members of the Leeds City Region Climate Coalition. We are also investing in a number of capital and community based projects – for example, through a capital programme to invest in energy efficient street lighting and in reducing the environmental footprint of our own buildings.

The Bradford District currently has relatively low levels of CO2 emissions but still need to do more in order to ensure we are sustainable in the medium to long term. In 2018, the last year where we have data, the district's emissions were 3.8 tonnes per head, compared to 6.5 tonnes for Yorkshire and Humber, and a UK average of 5.2 tonnes.

The district is home to around 10,000 environmental sector jobs and exemplar businesses including Texfelt, a manufacturer using recycled fibres and plastics, Yorkshire Water and the pioneering Ecology Building Society.

We have a strong research base in the district. The University of Bradford is a global leader in the circular economy and has a centre for sustainable environment which is tackling civil engineering climate challenges. The Bradford Institute for Health Research is researching health and wellbeing and undertaking national evaluation work on air quality improvements.

Our business and research strengths offer growth potential in areas including food and non-food crops, renewable energy, flood alleviation, soil management and carbon capture. Research suggests that clean growth could add £11 billion to the Leeds City Region economy and create an additional 100,000 jobs across our wider region.

### **Our priorities:**

#### **a) Living with COVID-19**

We will:

- Encourage the use of digital technology to reduce carbon emissions, support business activities and maximise the environmental benefits of home and remote working.
- Improve active travel infrastructure and help people move around the district for business or leisure safely, quickly and sustainably, even with reduced public transport capacity. Ensure that the public are informed about how they can access support on how they can move around the district safely using sustainable forms of transport.

## **b) Building a Better Future**

We will:

- Lead district partners to address the climate emergency through the Sustainable Development Partnership working at all levels from grassroots to large infrastructure projects.
- Work with the West Yorkshire Combined Authority and national government to make the case for sustainable transport development, including Northern Powerhouse Rail.
- Improve green space with initiatives such as 'Tree for Every Child' to plant more than 55,000 new trees, one for each primary school pupil.
- Help businesses and households to be more sustainable and embrace the principles of the circular economy.
- Improve air quality through our Breathe Better Bradford clean air plan.
- Encourage more recycling by households and businesses and improve waste recycling rates.
- Help households access funding to improve energy efficiency.
- Support local food production and food security efforts.
- Expand the network of electric vehicle charging points and number of electric vehicles.
- Increase renewable energy usage and reduce greenhouse gas emission reduction in the Council's business activities.
- Reduce energy use and emissions from the Council fleet and street lighting.
- Increase the efficiency of our buildings and operational assets to reduce energy use and emissions.
- Deliver an Advanced Fuel Centre to allow conversion of the Council's vehicle fleet and support the Council's Clean Air Strategy.
- Identify risks from extreme weather events and work with local and national partners to strengthen infrastructure and buildings.
- Bradford Council is committed to supporting Fair Trade as it supports sustainable farming and production methods whilst also ensuring that farmers and producers receive a fair price for their produce and goods. We will continue to buy Fair Trade goods and produce in line with our commitment, encourage our partners and businesses do so and consider how can support Fair Trade further across the District.

### **How we will measure success:**

1. The Bradford Clean Air Plan will achieve compliance with UK limits by 2022 and maintain this performance in future years.
2. Increase the percentage of household waste sent for reuse, recycling or composting and close the gap with the national average.
3. Reduce CO2 emissions from Council buildings below the 2019 level.

The underpinning plans and strategies that will enable us to deliver on this priority include:

- Bradford Clean Air Plan
- Sustainable District Action Plan

## **PRIORITY AREA: A Enabling Council**

### **Our Ambition**

We will be an enabling Council that is a great place to work and reflects the communities we serve. Our people will have the tools to do their jobs effectively, and the buildings they work from will be fit for purpose.

We will work to deploy our resources – people, money, buildings, land, ICT and digital infrastructure – in a sustainable and responsible way.

We will deliver efficient, value for money services, minimise risk and support improved outcomes across the district's key priorities.

We will take an asset-based approach working with the district's communities, the voluntary sector, the local business community and public sector partners to develop and deliver against our shared priorities.

Effective communications will ensure that everyone in the district is kept informed and engaged about local services and activities and the part that they can play in helping to achieve better outcomes.

Council decision making will be open, transparent and democratically accountable.

### **Our Context**

Bradford Council has a net budget for 2020-21 of £378 million and oversees a £734 million capital programme. It employs over 8,000 people with wide-ranging skills and expertise and holds extensive legal responsibilities and powers. These resources make an important and often essential contribution to leading and shaping the district's present and its future.

Over the last 10 years, we have had to find over £300 million in savings and additional income whilst continuing to deliver services for the people, businesses and organisations of the district, work alongside them to make the most of all our assets and provide the leadership and profile necessary to secure private and public investment.

COVID-19 has had a substantial and disproportionate impact on Bradford District. The deployment of Council resources required to respond to the pandemic has been considerable. We have had to adapt rapidly and make changes to the way we work in order to maintain the district's resilience, sustain services and build for recovery.

The Council will continue to work within a changing environment, including working with a Mayoral Combined Authority, preparing for and responding to Brexit, and strengthening our approach to equalities in the light of the pandemic.

That's in addition to sustaining our flexible response to COVID-19 and the recovery of the district post COVID-19.

**Our people** – We will ensure the authority is a great place to work and reflects the communities we serve. We will encourage, empower and enable our colleagues to deliver great services. We will make sure all employees feel engaged and can have the confidence and tools to achieve their full potential and barriers to success are removed.

**Our Financial resources** - We will manage public money responsibly and be proactive in identifying and exploiting opportunities to bring additional funding and investment into the district. Responsible and prudent financial management will help us to sustain investment in key priorities even through the challenges presented by austerity, increasing demand, inflation and COVID-19. The Council will work to prioritise and transform the way we deliver our services to improve the impact on people's lives and make the most effective use of Council resources.

We are delivering our Procurement Strategy to provide a first class, service that is fully integrated from procurement to payment and is effective, efficient and respected. We will use procurement of goods and services to deliver social value by securing wider social, economic and environmental benefits to the district and in this way improving outcomes.

**Our Buildings and assets** – The Council uses its estate and land to support delivery of outcomes across all priorities. In particular, we are proactively supporting economic development and growth throughout the district using the Council's financial strength. We are also working to reduce the carbon footprint of our overall estate. We are funding the redevelopment of key iconic sites directly or indirectly to attract new businesses, cultural, retail and leisure facilities to the district. We are working to ensure our buildings are fit for purpose for our colleagues to occupy and to deliver services from.

**Our Information Technology and digital infrastructure** - We will lead the digital transformation of public services, not just putting existing services online, but rewiring the local system to take advantage of opportunities to share and integrate digital tools and platforms across services and organisations. The Council will collaborate with all public service providers on a digital platform for genuinely joined-up service delivery. The Council will work with public and private stakeholders to boost digital infrastructure and connectivity across the district.

We are developing creative and innovative solutions for digital service redesign to deliver better outcomes for our residents and businesses, improve Council productivity and make the most of funding and partnership opportunities.

Digital technology will continue to help to ensure that decision making is transparent and subject to appropriate scrutiny despite the limitations imposed by COVID-19 on people meeting publicly.

**Democracy** – Our 90 councillors will be well supported and our democratic processes will be effective to help them to make decisions. We will do our utmost to comply with the law, adhere to ethical standards and make sure our decision making is transparent and accessible. We encourage the scrutiny of our policy setting and delivery. We will welcome and encourage peer and councillor review and challenge to test our leadership and decision-making, to make sure we are doing the right things and getting the right results. We will put in place robust systems to anticipate and manage opportunities, threats, risks and challenges, and to make sure that we remain focused on our district's priorities.

We will make sure we fully meet the standards expected of well-run public bodies. We will run elections well in a transparent way and encourage more people to register to vote. We will contribute to the information provided to citizens and taxpayers on how we are doing.

## **Our priorities:**

### **a) Living with COVID-19**

We will:

- We will support our workforce to deliver against the challenges of COVID-19, whilst ensuring the risk of transmission for our employees and partners is minimised. We will make sure they have the tools to do their job effectively and support the resilience of our people.
- We will manage public finances effectively and make sure we take advantage of opportunities to secure funding to support our COVID-19 response while investing Council resources if necessary in order to assist the vulnerable, support communities and keep the economy in business.
- We will ensure our buildings are COVID-19 Secure and safe for colleagues and members of the public to use, and to work with Services to review how buildings will be occupied and services delivered in a post COVID-19 world.
- We will continue to pay our suppliers quickly and efficiently to help cash flow.
- We will make sure we have a strong baseline budget to deliver services where needed and attract income and investment to support frontline delivery.
- We will continue to work with our partners to ensure the people of Bradford District are informed of changes to services or practices due to COVID-19 including how to stay safe and where to go for the help they need, using community languages and other channels for those with low levels of literacy or no access to IT.

### **b) Building a Better Future**

#### **Our people**

We will:

- Develop and implement an inclusive people strategy which will ensure our colleagues are able to deliver this Council Plan.
- Build and encourage a workforce that represents the communities we serve across all levels through our inclusive approach to recruitment and selection and talent development including a renewed commitment to diverse interview panels and more effective tools to ensure we use appropriate recruitment methods.
- Proactively focus on engagement with all of our colleagues, review and refresh all relevant policies, procedures and effecting culture change.
- Help every employee to reach their full potential through a proactive approach to learning and development and supporting the development of the talent across all of our colleagues.

#### **Our Finances**

We will:

- Produce an annual budget and continue to manage the Council's resources. We will take a #teambradford approach with partner organisations to make sure we use all of our resources in a joined-up way where we can.
- Collect revenue from Council tax, business rates and accounts receivable in an effective, fair and efficient way. We will work to prioritise and transform the way we deliver our services to improve the impact on people's lives as well as making the best use of the Council's resources. We will continue to seek opportunities for joining up services and making services work better for people, intervening earlier where we can.
- We will achieve value for money through innovative procurement and contract management practices while ensuring robust and transparent governance.

- We will make best use of the 'Bradford District Pound' by committing to using district-based organisations, directly or indirectly, to deliver supplies, services and works wherever possible.
- We will deliver improved social value and inclusive growth outcomes from procurement procedures.
- We will connect with our local suppliers, particularly the voluntary, community and social enterprise community, to improve understanding of our local supply chains.
- We will modernise our procurement platform to enable efficient and effective payments to suppliers.

#### **Our IT**

- We will develop digital access to all our services and tackle digital exclusion in the workforce to ensure that everyone has the tools they need to do their job effectively. Our services must however, remain accessible to people whose needs are unable to be met through digital access.

#### **How we will measure success:**

1. Ensure Council spending is within budget and year-on-year savings and investments agreed by Council are delivered.
2. Improve the collection rate of council tax to 93.94% to be in line with our statistical neighbours
3. Percentage of top 5% of employees who are female.
4. Percentage of employees from LGBTQ+ backgrounds.
5. Percentage of employees from BAME backgrounds.
6. Percentage of top 5% employees by income who are from BAME backgrounds.
7. Percentage of employees who identify as having a disability
8. Improve staff satisfaction, measured through the staff survey.

The underpinning plans and strategies that will enable us to deliver on this priority include:

- Council Workforce Strategy
- Bradford Council Equality Plan
- Bradford Council Financial Strategy
- Bradford Council Procurement strategy



## Appendix 2: Draft KPIs and Targets

| Outcome Area                                                 | Performance indicator                                                                   | Target                                                                                                                                                             | Current Performance      |
|--------------------------------------------------------------|-----------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| Better Skills,<br>More Good Jobs<br>and a Growing<br>Economy | Healthy life expectancy (at birth) in males (shared with Better Health, Better Lives)   | Increase the years of healthy life expectancy (from birth) in males and close the gap with the national average<br><br><b>National Average - 63.4</b>              | 60.1<br>(2016-2018 data) |
|                                                              | Healthy life expectancy (at birth) in females (shared with Better Health, Better Lives) | Increase the years of healthy life expectancy (at birth) in females and close the gap with the national average<br><br><b>National Average - 63.9</b>              | 60<br>(2016-2018 data)   |
|                                                              | Percentage of people in the district with NVQ Level 3 and above                         | Increase the percentage of people in the district with NVQ Level 3 and above and to close the gap with the national average<br><br><b>National Average - 58.5%</b> | 41.4%<br><br>(Gap 17.1%) |
|                                                              | Percentage of total third party spend with suppliers operating from within the district | Increase the amount of Council spending on resources locally to 50% of total by 2024                                                                               | 42.1%                    |
|                                                              | People in work (aged 16 – 64)                                                           | Increase employment overall and close the gap with the National Average trend<br><br><b>National Average - 76.2%</b>                                               | 66.2%                    |

|  |                                          |                                                                                                                                    |                                                            |
|--|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|
|  | Median earnings of employees in the area | Increase the earning of employees in the area and close the gap with the national average<br><br><b>National Average - £591.30</b> | £500<br><br>(Gap with the English National Average £91.30) |
|--|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|

| Outcome Area | Performance indicator                   | Target                                                                                                        | Current Performance                                                                            |
|--------------|-----------------------------------------|---------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| Decent Homes | Net number of additional homes provided | Achieve at least <b>1,703</b> net new home completions per year                                               | 1,690                                                                                          |
|              | Number of affordable housing units      | Achieve at least <b>411</b> affordable housing units per year                                                 | 309<br><i>Provisional</i>                                                                      |
|              | Number of private sector homes improved | Increase the number of private sector homes with improved housing conditions as a result of our interventions | 99 homes improved                                                                              |
|              | Homelessness preventions                | Continue to be above regional and national average rate for homelessness preventions                          | <i>Latest percentage of homelessness preventions:<br/>Bradford - 72.64<br/>England - 58.51</i> |

| Outcome Area              | Performance indicator                                             | Target                                                                                                                      | Current Performance |
|---------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|---------------------|
| Good Start, Great Schools | Percentage of pupils achieving 9-4 pass in GCSE English and Maths | GCSE Level 4 English and Maths results close the gap with the national average<br><br><b>National Average – 59.8%</b>       | 54.7%               |
|                           | Persistent absence rates                                          | Reduce persistent absence faster than the national trend<br><br><b>National Average – 10.9%</b>                             | 14. %               |
|                           | Key Stage 2 Reading, Writing and Maths results                    | Improve Key Stage 2 results in line with national trends in Reading, Writing and Maths<br><br><b>National Average – 65%</b> | 63%                 |
|                           | Percentage of Year 1 pupils achieving the Phonics standard        | Improve KS1 phonics in line with national trends<br><br><b>National Average – 82%</b>                                       | 82%                 |

| Outcome Area                | Performance indicator                                                                                                                                                   | Target                                                                                                                                                                                                                    | Current Performance |
|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Better Health, Better Lives | Obesity in primary school age children in Year 6                                                                                                                        | Reduce levels of childhood obesity<br><br><b>National Average - 20.2%</b>                                                                                                                                                 | 24.4%               |
|                             | Percentage of physically active adults                                                                                                                                  | Increase levels of physically active adults and close the gap with the national average<br><br><b>National Average – 67.2%</b>                                                                                            | 62.4%               |
|                             | Percentage of referrals to Children’s Social Care in the year which were within 12 months of previous referral closing                                                  | Bring percentage of referrals to Children’s Social Care in the year which were within 12 months of previous referral closing in line with our statistical neighbours<br><br><b>Statistical Neighbour (2018/19) 21.85%</b> | 31.98%              |
|                             | Percentage of children in care with 3 or more placements during the previous year                                                                                       | Reduce percentage of children in care with 3 or more placements during the previous year to be in line with our statistical neighbours.<br><br><b>Statistical Neighbour (2018/19) 8.9%</b>                                | 8.45%               |
|                             | Emotional and Behavioural health of children and young people in care for at least a year and aged between 5 -16 years old (average score from the total of SDQ scores) | Improve the emotional wellbeing of Children in Care                                                                                                                                                                       | 13.2%               |

| Outcome Area                   | Performance indicator                                                                   | Target                                                                                                | Current Performance |
|--------------------------------|-----------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|---------------------|
| Better Health,<br>Better Lives | Percentage of people with a learning disability living in their own home or with family | To move up 1 quartile based on 2018-19 published national data (ASCOF data)<br><br><b>Target 90%</b>  | 88.2%               |
|                                | Percentage of adults with a learning disability in paid employment                      | To move up 1 quartile based on 2018-19 published national data (ASCOF data)<br><br><b>Target 4.5%</b> | 3.9%                |
|                                | Permanent Admissions to residential and nursing homes 65+ per 100,000 population        | Maintain the 2019-20 performance of 555 admissions per 100,000 population (or below)                  | 555                 |

| Outcome Area                        | Performance indicator                                                                     | Target                                                                                                                                                                                                                            | Current Performance |
|-------------------------------------|-------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Safe, Strong and Active Communities | Percentage of people from different backgrounds                                           | Improve the percentage of people from different backgrounds who get on well together and close the gap with the West Yorkshire average<br><br><b>West Yorkshire Average – 57.2%</b>                                               | 55.7%               |
|                                     | Local (VCSE) Voluntary, Community and Social Enterprise (sector)                          | Increase the overall value of Council commissioning spend on charity and voluntary sector contracts. Target is an increase on current spend of £22.2m per year                                                                    | £22.2m              |
|                                     | Number of people killed or seriously injured in road accidents in Bradford District       | [As per Operation Steerside Targets]<br>2020 – 172<br>2021 - 165                                                                                                                                                                  | 168                 |
|                                     | Percentage of people who feel safe in their local area<br><br>(Suspended due to COVID-19) | Increase in percentage of Your Views survey respondents who say they feel safe in their local area (rolling year) including an improvement in comparison with West Yorkshire average<br><br><b>West Yorkshire Average – 81.3%</b> | 77.43%              |

| Outcome Area           | Performance indicator                                                 | Target                                                                                                                                                             | Current Performance |
|------------------------|-----------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| A Sustainable District | UK Air Quality legal limits*                                          | The Bradford Clean Air Plan will achieve compliance with UK limits by 2022 and maintain this performance in future years                                           |                     |
|                        | Percentage of household waste sent for reuse, recycling or composting | Increase the percentage household waste sent for reuse, recycling or composting and close the gap with the national average<br><br><b>National Average – 41.6%</b> | 40.7%               |
|                        | Greenhouse gas emissions from Council operations                      | Reduction in CO2 from Council buildings below the 2019 level                                                                                                       | 47,446 Tonnes       |

| Outcome Area | Performance indicator        | Target                                                                                                      | Current Performance                  |
|--------------|------------------------------|-------------------------------------------------------------------------------------------------------------|--------------------------------------|
|              | Council Tax Collection Rate  | Improve the collection rate of council tax to 93.94% to be in line with our statistical neighbours          | 58.29%                               |
|              | Delivery of budgeted savings | Ensure year on year savings agreed by Council are delivered. Target to be set as part of the Budget process |                                      |
|              | Equality targets             | Percentage of top 5% employees who are female<br><br><b>Target 65%</b>                                      | 48.2%                                |
|              | Equality targets             | Percentage of employees from LGBTQ+ backgrounds<br><br><b>Target 2%</b>                                     | 0.6%                                 |
|              | Equality targets             | Percentage of employees from BAME backgrounds<br><br><b>Target 33%</b>                                      | 27.8%                                |
|              | Equality targets             | Percentage of top 5% employees by income who are from BAME backgrounds<br><br><b>Target 27.8%</b>           | 18.4%                                |
|              | Equality target              | Percentage of employees who identify as having a disability<br><br>Target: 5.4%                             | 4.3%                                 |
|              | Annual staff survey          | Improve staff satisfaction                                                                                  | Baseline to be set when staff survey |

|  |  |                                      |             |
|--|--|--------------------------------------|-------------|
|  |  | measured through<br>the staff survey | is created. |
|--|--|--------------------------------------|-------------|

\*[https://uk-air.defra.gov.uk/assets/documents/Air\\_Quality\\_Objectives\\_Update.pdf](https://uk-air.defra.gov.uk/assets/documents/Air_Quality_Objectives_Update.pdf)

## **Appendix 3: Consultation Summary**

### **Introduction/ summary**

Following Executive's approval on the 6<sup>th</sup> of October 2020, the draft Council Plan 2021-2025 was released for consultation with members of the public, Council employees and partners during October and November.

The consultation also ran alongside the consultation for the draft Equality Objectives for 2020-2024.

### **Methodology**

The consultation was composed of:

- An online survey
- A series of partner focus groups including membership of the Bradford and District Voluntary and Community Sector (VCS) Assembly, Women's Health Network, the Cnet equalities forum (including representatives of people with disabilities), faith groups, young lives forum, volunteer leads, Stronger Communities ambassadors, Safer Communities partnership, equalities and communities strategic group, Race Equality Network and LGBT groups.
- In addition to this, three focus groups on the Council Plan will be held with members of the public on the 17<sup>th</sup> November.

The consultation was promoted on the Council website, via the Council's social media channels including People Can and Safer Bradford and through forum sessions. Where this was published via People Can it was also shared with the Keighley and Shipley constituency pages to ensure all voices could be heard.

Additionally, the consultation was promoted via the Stronger Communities e-bulletin, the People Can e-bulletin and to those who subscribe to the consultation e-bulletins.

Community Action Bradford & District (CABAD) promoted the consultation in their Daily Briefing to the voluntary and community sector and via their social media channels. A wide number of groups were contacted to circulate and promote the consultation including the Council for Mosques and the Race Equality Network.

The consultation was also promoted at planned meetings with other strategic boards including focus groups sessions with a range of internal and external stakeholders.

Where there was no option to hold a focussed session the consultation was sent to the following partnership boards;

- The Parish Council Liaison meeting
- Public Services Executive Group
- Sustainable Development Partnership
- Economic Recovery Board

- Positive Aging Partnership
- Young Lives forum
- Assembly Steering Group
- Bradford District Armed Forces Covenant Partnership
- Anti-Poverty Co-ordination Group

The focus groups were attended by a broad range of people and the demographics of attendees are summarised below.

|           | Stakeholder                                                                                | Date                       | Attended |
|-----------|--------------------------------------------------------------------------------------------|----------------------------|----------|
| <b>1.</b> | <b>Community, engagement or delivery partnerships</b>                                      |                            |          |
|           | Bradford and District VCS Assembly                                                         | 13 <sup>th</sup> October   | 9        |
|           | Women's Health Network                                                                     | 3 <sup>rd</sup> November   | 13       |
|           | Equalities Forum (Cnet)                                                                    | 13 <sup>th</sup> October   | 7        |
|           | Race Equality Network (REN)                                                                | 11 <sup>th</sup> November  | 13       |
|           | Faith Groups                                                                               | 20 <sup>th</sup> October   | 9        |
|           | Young Lives Forum                                                                          | 26 <sup>th</sup> October   | 4        |
|           | Volunteer Leads                                                                            | 14 <sup>th</sup> October   | 7        |
|           | Youth Ambassadors                                                                          |                            | 10       |
| <b>2.</b> | <b>Strategic Partnerships</b>                                                              |                            |          |
|           | Children's Trust – information only                                                        | 24 <sup>th</sup> September |          |
|           | Stronger Communities Together Partnership (Bradford For Everyone - BFE)<br>BFE Ambassadors | 15 <sup>th</sup> October   | 12       |
|           | Safer Communities Partnership                                                              | 27 <sup>th</sup> October   | 18       |
|           | Equalities & Communities Strategic Group                                                   | 29 <sup>th</sup> October   | 9        |
|           | <b>Internal Staff</b>                                                                      |                            |          |
|           | Cross Department Equality Group                                                            | 22 September 2020          | 20       |
|           | <b>Open Community Sessions</b>                                                             |                            |          |
|           | Three online forums                                                                        | 17 <sup>th</sup> November  | <b>1</b> |

## **Consultation Feedback**

Through online focus groups, we have so far spoken to over 130 people and an additional 438 responses were received via the survey. We planned our focus groups to ensure as full a representative response for the district as possible with two sessions for equalities groups, one with the Race Equality Network and one with faith leaders so that we could ensure open discussion with our BAME colleagues across the district.

From the postcode data we can see that over 40% of the survey responses were from Keighley and Shipley.

Key themes from the consultation responses are as follows:

- The Council should do more in the next four years to further collaboration and co-design, to do things “with” our communities rather than “to” them
- We need to broaden the Safe, Clean and Active chapter and Sustainability chapter to give more prominence to waste and cleanliness of the district.
- We need to broaden Good Start, Great Schools chapter to reflect that it isn’t just about education but also about the District as a place to be a child and young person.
- There needs to be more development of the Well-Run Council objective, including a more active title to An Enabling Council. We have expanded this section to cover more of what we do as a Council, such as our finances, our buildings and democratic services.
- The importance of skills for the future of the District
- Disconnect between villages, towns and cities

### Proposed changes to the council plan to reflect comments made

| Theme Area                                                                                                                                                 | What we changed                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Council should do more in the next four years to further collaboration and co-design, to do things “with” our communities rather than “to” them</p> | <p>We strengthened wording throughout the Council document to reflect our ambition to continue to work with our communities and partners to help make Bradford a better place for all.</p> <p>Some of the areas we made changes include:</p> <ul style="list-style-type: none"> <li>• Within the Council Plan introduction where we make reference to the districts strong and committed volunteers. We acknowledge that <i>‘the spirit of our communities is a tangible asset and we want to work more with people in the future to develop and deliver our shared objectives.’</i></li> <li>• Strengthen our wording within the cross-cutting principle <i>Working together</i>, to make it clear that <i>‘We will work with our communities to get them involved at every opportunity. We will empower individuals so that they can be involved in the process of designing how outcomes are achieved.’</i></li> <li>• Within our <i>Better Health, Better Lives</i> ambition – making reference to the fact that we <i>‘will continue to work with our partners in health, police and the community on to keep vulnerable children and adults safe and secure.’</i></li> <li>• Within the introduction to <i>‘Safe, Strong and Active Communities’</i> made reference to our community ambassadors and how they provide us with a valuable insight to their communities. Our community ambassadors will be integral to help support out work in partnership with communities.</li> <li>• Expanded our first <i>Living with COVID-19</i> priority within our Safe, Strong and Active Communities section to reference that we will <i>‘Work with our communities, volunteers and community organisations</i> to reduce social isolation as a result of</li> </ul> |

|                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                           | <p>COVID-19 and support the building of community resilience and cohesion.’</p> <ul style="list-style-type: none"> <li>• Added an additional priority within the ‘<i>Building a Better Future</i>’ section of ‘<i>Safe, Strong and Active Communities</i>’ to say that we will ‘Work to empower communities so we do things with them not to them.’</li> <li>• Within the newly titled ‘<i>Enabling Council</i>’ chapter we have added the following additional priority under Living with COVID-19, ‘<i>We will continue to work with our partners to ensure the people of Bradford District are informed of changes to services or practices due to COVID-19 including how to stay safe and where to go for the help they need, using community languages and other channels for those with low levels of literacy or no access to IT.</i>’</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <p>We need to broaden the Safe, Clean and Active chapter and sustainability chapter to give more prominence to waste and cleanliness of the district.</p> | <p><b><u>Cleaning the District</u></b></p> <ul style="list-style-type: none"> <li>• Made more reference to issue that residents have commented on such as fly tipping, dangerous driving etc. within the <i>Safe, Strong and Active Communities</i> ambition section.</li> <li>• Within the <i>Safe, Strong and Active Communities</i> chapter, added an additional <i>Building a Better Future</i> priority, referencing our commitment to keeping the district clean and tidy ‘<i>Keep the district clean and tidy, including waste collection, keeping our public spaces clean and tidy and continue to support measures to address fly tipping.</i>’</li> <li>• Within the Sustainable District chapter, expanded the Building a Better Future priority around recycling to include, ‘<i>improve waste recycling rates.</i>’</li> </ul> <p><b><u>Sustainability</u></b></p> <p>Under our priority outcome area for Sustainable District, have made reference to the fact that we will work to ‘reduce carbon and use resources sustainably.’</p> <ul style="list-style-type: none"> <li>• In regards to housing and sustaining our green spaces, we have made reference within the <i>Decent Homes</i> chapter that we will work to build good quality new homes ‘<i>on brownfield sites where possible.</i>’</li> <li>• Added additional priorities within the <i>Building a Better Future</i> section of the <i>Sustainable District</i> chapter which include; ‘<i>Lead district partners to address the climate emergency through the Sustainable Development Partnership working at all levels from grassroots to large infrastructure projects</i>’; making reference to ‘<i>sustainable transport development, including Northern Powerhouse Rail</i>’; ‘<i>Deliver an Advanced Fuel Centre to allow conversion of the Council’s vehicle fleet and support the Council’s Clean Air Strategy.</i>’</li> </ul> <p>In addition, we have also added a new cross-cutting principle for Safeguarding.</p> <p>Added our Single Use Plastics Policy into our ambition <i>We will develop a Single Use Plastics Policy and implementation plan to help the Council become a single use plastic-free organisation by 2024.</i></p> |

|                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>We need to broaden Good Start, Great Schools chapter to reflect that it isn't just about education but also about the District as a place to be a child and young person.</p>                                                                                       | <p>We have strengthened the wording of this priority and widened this section to include the wider reasons alongside education on why we want to ensure that Bradford district is a great place to grow up.</p> <p>We have also added text to reflect the challenges we have seen as a result of Covid-19 – difference in levels of poverty, health equality and digital divide and lack of equipment.</p> <p>Amongst some of our additional priorities, within Living with COVID-19 - Work with partners to make sure that no child goes hungry through this pandemic. We will continue to provide healthy meals to the District's schools, minimising the use of salt and sugar in food production and also reducing the use of plastics.</p> <p>We also added text to reflect the fact we will work as a whole system to promote, protect and improve children and young people's wellbeing.</p> |
| <p>There needs to be more development of the Well-Run Council objective, including a more active title to An Enabling Council. We have expanded this section to cover more of what we do as a Council, such as our finances, our buildings and democratic services</p> | <p>We have refreshed this section to add wider corporate objectives around our people, our financial resources, our buildings and infrastructure and democracy.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

**One: The Council should do more in the next four years to further collaboration and co-design, to do things “with” our communities rather than “to” them**

- “I really don't see any real commitment to work along side communities on their agendas, there is an expectation that communities will engage with the councils agenda rather than the other way around, and top down initiatives rarely achieve their goal of engaging effectively with communities.”
- “ward officers have a key role and this should be used more, more neighbourhood forums to cover key themes that matter to communities and not just to the Council and use them for consultation and engagement”
- “you need to address the issue of what is in it for communities? Where is the training for community activists to develop their community development skills...?”
- We can't expect a lot of these grass roots groups to continue after the pandemic without investing time and money in the VCS.

- NHS and VCS would like to see links between our staff networks and theirs and the forums, talk and listen equally to build strength and sense of community instead of us and them between sectors.
- “We should do more for integration on the council estates.”
- “Helping those who are the most vulnerable will make a difference to their lives and the way they live and to do so Education and a decent home to live in will help.”
- “Work on communication and delivery between services within the community.”
- “A lot of services have similar priorities and would make sense working together.”
- “Bradford for everyone ambassadors. The purpose of the group is to bring people from different backgrounds together. Projects have been funded with this focus. Worked well. Good example of how this priority is being delivered well in Bradford but needs building on.”

**Two: We need to broaden the Safe, Clean and Active chapter and Sustainability chapter to give more prominence to waste and cleanliness of the district.**

Comments include issues with fly-tipping, vandalism and an ask to find ways to keep the District clean and tidy.

- “Recycling and initiatives that address waste disposal and reduce landfill”
- “Bins for plastic bottles clearly labelled and in more areas.”
- “More signs saying "There's no dog poo fairy. Pick it up.”
- “Educate children on the importance of the local environment and the effects of litter
- “Further emphasise reducing pollution”
- “Making environmental services such as bin collections responsive to the cultural need of local communities.”
- “Keep Bradford clean and tidy, it is not a place to be proud of at the moment”
- “It is impossible to pay the ridiculous charges that private companies ask to take away waste so fly tipping naturally is on the increase. Your policies of encouraging recycling only work if you have full access to a vehicle large enough to take things to a recycling centre or to take your waste to the tip. The vast majority of those living in poverty do not have a vehicle and nor do they have the money to pay private companies. And you then fine them if they breach your policies with no thought that it was your policy at fault, not them.”

**Three: We need to broaden Good Start, Great Schools chapter to reflect that it isn't**

**just about education but also about the District as a place to be a child and young person.**

Comments included that the current draft version of the Council Plan is missing opportunities for young people and support with mental health:

- Young people – opportunities for them?
- Support for young people's mental health

There were also comments around the digital inclusion gap that the Coronavirus pandemic has highlighted between our wealthiest and poorest communities with this and poverty being overriding themes across all focus groups sessions.

- "Covid has shown the need for better digital inclusion, too many children left behind because poverty means they can't access online learning"
- "Come across lots of children that don't have the facilities at home. Internet computer etc. and parents can't help them. They won't be at the same level as other children where there is support. Anyway to provide facilities to these children will help improve results "
- "Less youth services along with poor education impacts hugely on childrens life chances, particularly children from disadvantaged backgrounds, who are then drawn into crime. Until these basic needs are met there can be no improvements."
- "Why are most of your grants for capital only when the stated aim is to engage communities who do not traditionally engage - where is the money for community workers, youth workers, drama/ art other community engagement specialist/s; biodiversity experts."

There were also comments for further to support young people with additional needs:

- "Better educational provision and outcomes for children with SEN particularly children with high functioning Autism"

**Four: There needs to be more development of the Well-Run Council objective, including a more active title to An Enabling Council. We have expanded this section to cover more of what we do as a Council, such as our finances, our buildings and democratic services.**

- "Able to access information about various aspects that the council has responsibility for. This can only be achieved if the website and e-infrastructure is in place to facilitate this" – better IT infrastructure and ability to search for Council Services
- "A priority should be to build upon the 'digital' image and communications of the Council to disseminate information to wider sections of the community. E.g Covid e-bulletins - many residents I speak to are not aware of these email and no clue

about the status of lockdown within the district. Digital communications should be utilised and built upon to benefit all our citizens.”

- “Be serious about wanting to spend as much as possible within the district, need more than empty words.”
- “I want to see the council in the community. I want to see the council bringing the community into job roles outside of the traditional applications and interview process.”
- “We welcome more investment in local services but this has to be accessible to all in the VCS and not just the same organisations who always get the money. Smaller groups often innovate more but are never heard, listen to them too”
- “Be inclusive and consistent with contact and communication options. Some services are contactable e-mail only, some telephone only, some by online form, some switch between”

### **Five: The importance of skills for the future of the District**

Comments include helping to support people it to work and maintain their jobs, support staff develop their skills and help to address unemployment and poverty by providing and encouraging access to further education, re-training and apprenticeships:

- Support people develop the skills to get and keep a job
- Help to address unemployment and poverty by providing and encouraging access to further education, re-training and apprenticeships
- “More support for volunteering both for Council staff to volunteer in their communities and also for people to volunteer with the Council to gain skills and insight. We’d especially welcome those Council staff who live outside the district to be more involved in communities to really get to know us”

And from staff feedback:

- Support staff to undertake training opportunities that may not be related to their job to help develop skills
- More information provided about development opportunities
- Support with funding for professional posts
- “integrate the university and college students into the economy branch. The council plans to integrate communities but it doesn't start with thinking out of the box. There is a lot of talent available through college and university students or music school even. Little projects in cooperation would integrate new talents with creative minds and university students coming from abroad could integrate new strategies and perspectives.”

## **Six: Disconnect between villages, towns and cities**

Most comments here related more to Bingley, Keighley, Ilkley, Eldwick and Haworth etc. for example:

- “Allow individual areas to have a bigger say in the place they live.(I.e listen to Keighley people)”
- “Try treating areas like Bingley and Eldwick more favourably and not spending all our taxes on Bradford City residents”
- “There are far greater services in the Bradford area. Airedale/Ilkley are part of the council and rarely get mentioned and a distinct lack of resources.”

## Online Survey Responses

### Council Plan 2021 – 2025 Consultation

Importance of each of the Priority Areas

| Priority Area                                  | Percentage of individuals who rated the priority as really important (10) to them (Internal) | Percentage of individuals who rated the priority as really important (10) to them (external) |
|------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| Great Start, Good Schools                      | 67%                                                                                          | 70%                                                                                          |
| An Enabling Council                            | 55%                                                                                          | 54%                                                                                          |
| Better Health, Better Lives                    | 52%                                                                                          | 63%                                                                                          |
| Decent Homes                                   | 49%                                                                                          | 59%                                                                                          |
| A Sustainable District                         | 44%                                                                                          | 46%                                                                                          |
| Better Skills, More Jobs and a Growing Economy | 44%                                                                                          | 45%                                                                                          |
| Safe, Strong and Active Communities            | 44%                                                                                          | 49%                                                                                          |

### Other questions

Should everyone within our communities be treated with respect and be able to access to services that support them to live without fear of violence or abuse?

Important            409    (97%)  
Not Important        12      (3%)

Do you think there are any priority areas we have missed in our council plan?

Yes    165    (39%)  
No     262    (61%)

## Demographic information provided by respondents

Which of the following options best describes your race, ethnic or cultural origin?

|                                                          | Survey % | Focus groups % |
|----------------------------------------------------------|----------|----------------|
| White English //Welsh /Scottish/ Northern Irish/ British | 79       | 40             |
| Any other white background                               | 6        | 1              |
| Asian / Asian British                                    | 11       | 42             |
| Caribbean/ African                                       | 2        | 8              |
| Any other background                                     | 2        | 9              |

## Age (survey)

| Category          | %           |
|-------------------|-------------|
| 16-17             | 0%          |
| 18-24             | 1%          |
| 25-34             | 6%          |
| 35-44             | 20%         |
| 45-54             | 23%         |
| 55-64             | 24%         |
| 65-74             | 15%         |
| 75+               | 5%          |
| Prefer not to say | 6%          |
| <b>Totals</b>     | <b>100%</b> |

\*12% of overall focus group attendees were under 25s attending the young lives forum and the youth ambassadors forum

## Gender Identity

| Category          | Survey %    | Focus group |
|-------------------|-------------|-------------|
| Male              | 34%         | 51          |
| Female            | 57%         | 49          |
| Other             | 0%          | 0           |
| Prefer not to say | 9%          | 0           |
| <b>Totals</b>     | <b>100%</b> | <b>100%</b> |

## Sexual Orientation (Survey)

| Category                 | %   |
|--------------------------|-----|
| Bisexual                 | 3%  |
| Gay man                  | 1%  |
| Gay woman or lesbian     | 2%  |
| Heterosexual or straight | 77% |

|                          |             |
|--------------------------|-------------|
| Prefer not to say        | 16%         |
| Other – No extra details | 1%          |
| <b>Totals</b>            | <b>100%</b> |

**Health issue or disability which prevents you from doing things you want to, need to or have to (survey)**

| Category          | £           |
|-------------------|-------------|
| Yes, a little     | 11%         |
| Yes, a lot        | 19%         |
| No                | 62%         |
| Prefer not to say | 8%          |
| <b>Totals</b>     | <b>100%</b> |

| Health or Disability (survey)                                              | %           |
|----------------------------------------------------------------------------|-------------|
| Internal - Physical disability<br><i>(including mobility difficulties)</i> | 36%         |
| Learning disabilities                                                      | 1%          |
| Mental ill health                                                          | 17%         |
| Autism spectrum conditions                                                 | 2%          |
| Visual impairment                                                          | 2%          |
| Hearing impairment                                                         | 7%          |
| Learning difficulties eg Dyslexia                                          | 2%          |
| Other substantial and long term condition                                  | 23%         |
| Prefer not to say                                                          | 5%          |
| Other                                                                      | 5%          |
| <b>Totals</b>                                                              | <b>100%</b> |

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## Report of the Strategic Director Corporate Resources to the meeting of the Executive to be held on Tuesday 1st December 2020

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**CP**

### **Subject:**

**Procurement Strategy 2021-2025**

### **Summary statement:**

The Procurement Strategy is a key document that outlines the Council's procurement vision and aims over the next four years.

The Procurement Strategy is an enabling strategy for the Council Plan within the priority area of an 'Enabling Council'.

The report provides a summary of the Council's Procurement Strategy 2021-2025 for Members to consider. The strategy is attached at Appendix 1.

---

Joanne Hyde  
Strategic Director Corporate Resources

**Portfolio:**

**Leader**

Report Contact: Ian Westlake  
Phone: 07971 540171  
E-mail: [ian.westlake@bradford.gov.uk](mailto:ian.westlake@bradford.gov.uk)

**Overview & Scrutiny Area:**

**Corporate**

## 1. SUMMARY

- 1.1. This report summarises the Council's Procurement Strategy 2021-2025 and seeks approval of the Executive and recommendation to Council for adoption.
- 1.2. The Procurement Strategy 2021-2025 is attached at Appendix 1

## 2. BACKGROUND

- 2.1 The Procurement Strategy is a key document that outlines the Council's procurement vision over the next four years. The Procurement Strategy is an enabling strategy for the Council Plan within the priority area of an 'Enabling Council'.
- 2.2 The strategy is not intended to be a service improvement plan for Procurement Services but an outward facing document which signals the Council's intentions with regards to the procurement function over the next four years. It will also help align procurement activity across the Council behind the deliverables striving for key common goals, consistency in approach and a higher profile across the Council. Procurement is a key enabler to almost everything the Council does.
- 2.3 The Procurement Strategy 2021-2025 represents the Council's procurement aims and objectives for the next four years. This strategy will develop as the transformation and modernisation of the procurement function takes place, and it will incorporate a change in methods and techniques designed to meet the varying requirements of the Council and future procurement reforms post Brexit transition period and in the recovery from COVID19.
- 2.4 There are two key policy documents that underpin the delivery of the Procurement Strategy; the Contracts Standing Orders and the Social Value and Inclusive Growth Policy.
- 2.5 The transformation and modernisation programme must include discussions about the Council's attitude to risk throughout the procurement process and in its procurement decision making to achieve its goals.
- 2.6 The vision for this strategy is to provide a procurement function that is *respected and trusted by stakeholders both internally and externally* and a service that will:
  - 2.6.1 Support local businesses and work to enable the third sector in its activities and enable the local market, both large and small organisations, to feel able and willing to work with the Council.
  - 2.6.2 Deliver tangible social value and inclusive growth to the benefit of the residents of the District specifically addressing climate and environmental issues.
  - 2.6.3 Be an influencer in shaping procurement with public sector organisations within the District.
  - 2.6.4 Achieve value for money through procurement and contract management

practice for the Council and the residents of the District.

### **3 KEY DELIVERABLES**

3.1 The Procurement Strategy focuses on five key deliverables:

#### **3.2 Enhanced and Embedded Social Value and Inclusive Growth**

3.2.1 This deliverable will ensure that all our procurement activity develops the District's economy in a way that includes and benefits everyone. This includes increasing our forward planning, publishing detailed procurement pipeline plans to allow the market to be aware of our intentions to be able to plan and engage with us.

3.2.2 This deliverable is key to implementing a revised social value and inclusive growth policy that will enable tangible social value outcomes from all our procurements addressing Council priorities such as the climate emergency, modern slavery, Fairtrade and equality and diversity within our supply chain.

#### **3.3 Good Governance**

3.3.1 This will ensure that our processes, whilst meeting regulatory requirements, are fit for purpose and support streamlined and flexible procurement activity, both with our first tier suppliers and throughout our supply chain, our aim is to be easy and efficient to deal with and 'open for business'.

3.3.2 The Council must aim to have procurement professionals involved in projects as early as possible to shape procurement strategy and to propose and deliver solutions.

3.3.3 Good governance will be reflected by the high standards of probity that our procurement processes will be subject to with appropriate gateway approvals to mitigate any risks.

#### **3.4 Behaving Commercially**

3.4.1 The Council's procurement professionals will think in terms of outcomes rather than process which will challenge disproportionate and bureaucratic procedures. We will engage with suppliers to ensure that we understand our markets and our economy and through our forward planning encourage suppliers to engage with us.

#### **3.5 Developing the Procurement Community**

3.5.1 The strategy strives to deliver consistency of practice by procurement professionals across the Council and the District.

3.5.1 Key stakeholders in this deliverable are the Council's partners in other public sector bodies such as the university, the NHS and CCG, the regional local authority procurement forum YORprocure, the Chamber of Commerce, Federation of Small

Businesses, YPO, the VCSE etc. The Council must maintain relationships, presence, collaboration and influence on procurement in these forums.

### **3.6 Digitally Transforming our Procurement Processes**

3.6.1 Transactional processes must be as effective and efficient as possible so that payment can be made promptly to the benefit of suppliers and Council accordingly.

3.6.2 Work is already underway to improve transactional processes through the procurement of a content management solution to process invoices and payment in a more effective manner leading to a more sophisticated process for prompt payment.

3.7 Over the term of the strategy the procurement function will be measured by the following headline indicators;

3.7.1 Increases in third party spend with local providers with an aspiration to achieve 60%, in line with the Council's Economic Strategy and Council Plan.

3.7.2 Year on year increase in spend with the local Voluntary Community Social Enterprise sector.

3.7.3 Prompt payment made to our suppliers.

3.7.4 Further indicators will be established as part of the procurement KPI's relating to social value, governance, commerciality and digitalisation.

## **4. FINANCIAL & RESOURCE APPRAISAL**

4.1 There are no financial implications associated with the Procurement Strategy 2020-2025

## **5. RISK MANAGEMENT AND GOVERNANCE ISSUES**

None

## **6. LEGAL APPRAISAL**

The Public Contracts Regulations 2015 encourage market engagement and early consultation with suppliers, along with the transparency of publishing concise, clear documentation in advance. The procurement strategy aims for this will assist in legal compliance.

The move to publish procurement pipelines and upcoming requirements will allow for fuller consultation times within the Council to allow for departments to collate requirements and seek the relevant assistance from procurement support and legal officers, which will in turn ensure robust procurement processes that protect the Council. Corporate governance considerations will be met when time is allowed for the decision-making process through increased visibility of intention.

The improvements to be made to the documentation used in procurement processes will increase compliance and reduce the need for clarifications and dialogue with suppliers during procurement processes, which will ensure the Council's strong position as a procurer in the commercial sector. The procurement documentation will assist the Council in fulfilling its regulatory requirements under legislation including the Social Value Act 2012 and the Modern Slavery Act 2015 by incorporating these requirements.

The Council's Contract Standing Orders and the Public Contracts Regulations will govern all procurement activity.

## **7. OTHER IMPLICATIONS**

### **7.1 EQUALITY & DIVERSITY**

The implementation of the Procurement Strategy 2021- 2025 will promote equality and diversity in the supply chain. Whilst ensuring that our money is not only delivering high goods works and services but also promoting equality of opportunity. Equality and diversity objectives will be incorporated in to our strategies, policies and delivery and we will expect our suppliers to promote equality within their businesses.

The promotion of equality in procurement will help us deliver more responsive, accessible and appropriate services that meet the needs of the districts residents.

### **7.2 SUSTAINABILITY IMPLICATIONS**

Sustainability will be delivered through the Council's social value and inclusive growth in procurement policy which will be relaunched during the lifetime of this strategy. Organisations that interact with the Council will be required as part of their bids to identify where they can support the following;

- Carbon emissions are reduced
- Air pollution is reduced
- Safeguarding the natural environment
- Resource efficiency and circular economy solutions are promoted
- Sustainable Procurement is promoted

The Procurement Service are also key stakeholders in the Council's general approach to Sustainability.

### **7.3 GREENHOUSE GAS EMISSIONS IMPACTS**

Greenhouse gas emissions impacts will be delivered through the Council's social value and inclusive growth in procurement policy which will be relaunched during the lifetime of this strategy. Organisations that interact with the Council will be required as part of their bids to identify where they can support the following;

- Carbon savings from energy efficiency measures on site (e.g. increased use of renewables)
- Embodied Carbon reductions in CO<sub>2</sub>e emissions
- Offset embodied carbon emissions from construction material
- Carbon offset fund payments against new developments

- Percentage of fleet or construction vehicles on the contract that is at Least Euro 6 or LEV
- Fleet emissions monitoring programme on the contract, including data collection (miles, type of vehicle, engine type, emission standard)
- Offsets or mitigation initiatives on biodiversity delivered whenever restoration is not available, and when implemented beyond legislative or regulatory requirements: Natural Capital Approach carbon sequestration and air quality benefits
- Volunteering with environmental conservation initiatives or engagement in multi-stakeholder and advocacy initiatives around environmental conservation and sustainable ecosystem management - resources invested including time, funds and in-kind contributions

#### **7.4 COMMUNITY SAFETY IMPLICATIONS**

None

#### **7.5 HUMAN RIGHTS ACT**

None

#### **7.6 TRADE UNION**

None

#### **7.7 WARD IMPLICATIONS**

None

#### **7.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)**

None

#### **7.9 IMPLICATIONS FOR CORPORATE PARENTING**

None

#### **7.10 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT**

None

### **8. NOT FOR PUBLICATION DOCUMENTS**

8.1 None

### **9. OPTIONS**

9.1 The **recommended option** is that the Procurement Strategy 2021-2025 is approved by the Executive and recommended to the Council for adoption.

9.2 Members may wish to support some parts of the Procurement Strategy 2021-2025 and make their own recommendations.

9.3 The 'do nothing' option is not recommended. The Council currently does not have a document which sets the direction and vision for the procurement function.

## **10. RECOMMENDATIONS**

Recommended –

That the Procurement Strategy 2021-2025 be approved and recommended to Council for adoption.

## **11. APPENDICES**

11.1 Appendix 1 – Procurement Strategy 2021-2025

## **12. BACKGROUND DOCUMENTS**

12.1 [Contracts Standing Orders](#)

12.2 [Social Value and Inclusive Growth Policy](#)

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# Buy For Bradford

A Strategy for the Bradford District Economy



Procurement Strategy 2021-2025

Department of Corporate Resources



City of  
**BRADFORD**  
METROPOLITAN DISTRICT COUNCIL

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The wording in this publication can be made available in other formats such as large print and Braille. Please call 07971 540171.



# Executive Summary

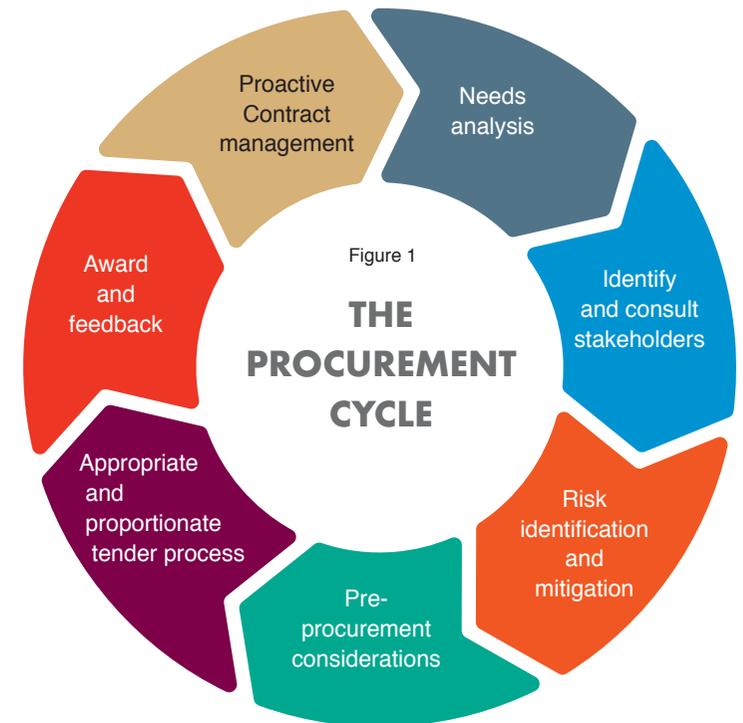
- 1.1 The Council's Procurement Strategy commits to supporting the Bradford District economy. Where possible the Council will, directly and indirectly, use District based organisations to deliver the supplies, services and works it requires.
- 1.2 The Council's vision is to provide a first class end to end procurement service which is effective, efficient, respected and delivers tangible outcomes for the Council and the District.
- 1.3 All procurement activity will be conducted in line with the procurement cycle highlighted in figure 1 giving consideration to both the Council's requirements and the Bradford economy.
- 1.4 The procurement function is embedded within a broader commissioning framework. The procurement function is designed to support and deliver the commissioners intentions in a legal and compliant manner. Commissioning and procurement are not mutually exclusive and the relationship between the two functions is key to delivering this strategy.

The overarching procurement initiatives will transform the Council's approach to procurement including

- Delivering enhanced and embedded social value and inclusive growth in the Council's procurement procedures,
- Adopting good governance throughout the procurement cycle including enhancing visibility of our procurement activity,

- Behaving commercially,
- Engaging and developing the procurement community,
- Digitally transforming procurement processes ensuring our opportunities are easy to access for suppliers and payments to our key suppliers are timely and efficient.

- 1.5 The economic strategy for the Bradford District 2018-2030 states the commitment of both the Council and other anchor institutions to increase the level of local procurement making sure that every penny spent strengthens local businesses and social organisations and supports the wider inclusive economic goals of increasing local supply chains. The Procurement Strategy will be an enabler in meeting this commitment.
- 1.6 The procurement strategy outlined in this document supports the Council's plan for living with COVID-19 and laying the foundations for a better future.



# 2

## Contextual position

### 2.1 Current Spend

2.1.1 The Council currently spends approximately £475 million externally a year on supplies, services and works:

| Department               | Capital<br>£m | Revenue<br>£m | Total 19/20<br>£m | % of Total   |
|--------------------------|---------------|---------------|-------------------|--------------|
| Health & Wellbeing       | 3.2           | 196.9         | 200.1             | 42.1         |
| Place                    | 34.9          | 108.6         | 143.5             | 30.2         |
| Corporate Resources      | 2.3           | 60.3          | 62.7              | 13.2         |
| Children's Services      | 10.8          | 54.6          | 65.4              | 13.8         |
| Chief Executive's Office | –             | 3.9           | 3.9               | 0.8          |
| <b>Grand Total</b>       | <b>51.2</b>   | <b>424.3</b>  | <b>475.6</b>      | <b>100.0</b> |

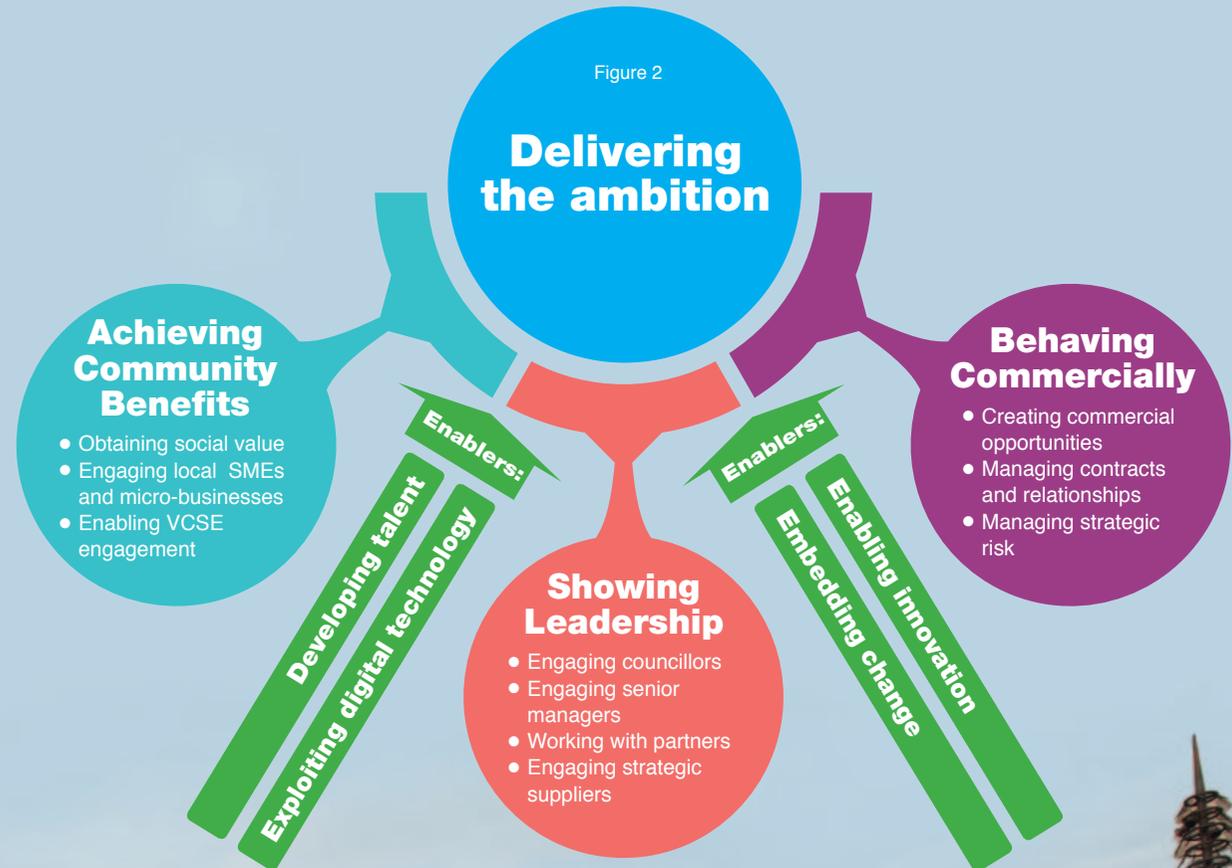
2.1.2 The break down of this spend is as follows:

| Indicator                                       | Value of Spend<br>£m | % of Total Spend |
|-------------------------------------------------|----------------------|------------------|
| Bradford District Spend                         | 195.8                | 41.2             |
| Leeds City Region Spend                         | 299.3                | 62.9             |
| SME Spend                                       | 351.2                | 73.9             |
| Voluntary Community and Social Enterprise       |                      |                  |
| Sector (VCSE) spend                             | 77.2                 | 16.2             |
| Local Voluntary Community and Social Enterprise |                      |                  |
| Sector (VCSE) spend                             | 22.2                 | 4.7              |



## 2.2 National Procurement Strategy

- 2.2.1 The leading influence of procurement activities is the National Procurement Strategy published in 2018 by the LGA.
- 2.2.2 This strategy has three themes, showing leadership, behaving commercially and achieving community benefits. There are four enablers: developing talent, exploiting digital technology, enabling innovation and embedding change (figure 2).
- 2.2.3 The Council will be benchmarked nationally, through the Local Government Association Diagnostic Tool, against how it is meeting the themes and enablers of the strategy. All procurement activity must be mindful to these themes and enablers.



# 3

## Aspirations

- 3.1 The Council aspires to provide a procurement function respected and trusted by stakeholders both internally and externally. This service will:
- 3.1.1 Support local businesses and work to enable the VCSE in its activities and enable the local market, both large and small organisations, to feel able and willing to work with the Council.
- 3.1.2 Deliver tangible social value and inclusive growth to benefit the residents of the District.
- 3.1.3 Be an influencer in shaping procurement with public sector organisations within the Bradford District.
- 3.1.4 Achieve value for money through procurement and contract management practice for the Council and residents of the District.



# 4

## Key measures for success

- 4.1 **Local Spend** – We must maximise our spend in the Bradford District, there should be no limit on the amount of spend the Council aspires to, directly and indirectly, in the District.
- 4.2 **Voluntary Community and Social Enterprise Sector Spend** – A vibrant VCSE is important for any economy. The Council wishes to see local VCSE spend increase year on year and the VCSE become increasingly engaged in pre-procurement market consultations.
- 4.3 **Tangible Social Value delivered** – A key measure of the procurement function is how much social value is consequently delivered. We must actively pursue added social value and ensure that it is monitored and delivered.
- 4.4 **Simplicity of Process** – Our procurement processes must be easy to use, equitable, proportionate and relevant, for Council officers and suppliers alike. The Council must be open for business
- 4.5 **Visibility of upcoming tenders** – We must be pro-active in publishing our procurement intentions, communicating them to the market and being visible in our procurement activity.
- 4.6 **Prompt and Efficient Payment** – Our digital transformation programme will mean we are more efficient in how we process orders and invoices. We will be monitored on our prompt payment statistics ensuring that the District's suppliers, SMEs and the VCSE are prioritised for payment. We will contractually enforce payments to second and third tier suppliers, wherever possible.



# KEY DELIVERABLES

## 5

### Enhanced and embedded social value and inclusive growth

- 5.1 A key element of the procurement functions role is to work with the District's businesses, partner organisations, SMEs and the voluntary, community and social enterprise sectors to help develop our economy in a way which includes and benefits everyone.
- 5.2 We will develop a deeper understanding of the Bradford economy through market engagement, we will develop, improve and share our market engagement plans. Market engagement, either through publication of detailed procurement pipeline plans, market position statements or intelligently through project specific dialogue must become the norm.
- 5.3 Equality is at the heart of procurement at Bradford Council. We must ensure that our money is not only delivering high quality but also promotes equality of opportunity. Procurement professionals will ensure equality objectives are incorporated in our policies, strategies and delivery. We expect suppliers to provide services on our behalf to promote equality within their businesses. The promotion of equality in procurement will help us deliver more responsive, accessible and appropriate services that meet the needs of the districts residents.
- 5.4 The Council's ultimate outcome is the success of its Social Value and Inclusive Growth Policy through a buoyant local economy, a supply chain that addresses social and environmental issues, such as the climate emergency, and a vibrant voluntary, community and social enterprise sector (VCSE) where tangible social value is added in addition to specified supplies, services and works. The ambition is to achieve at least 60% local spend and increase spend with the local VCSE year on year.

## 6

### Good governance

- 6.1 The Council's processes will aid streamlined procurement activity whilst being robust in meeting regulatory requirements. We will seek feedback from our suppliers to ensure our processes are fit for purpose and are annually revised. We will ensure they are reflective of the flexibility offered by procurement law such as using, where appropriate, procedures available for both works and social and other specific services subject to the light touch regime.
- 6.2 Our procuring officers must be provided with useable fit for purpose templates documents that allow them to deliver these aspirations. These documents must be usable for both procurers and suppliers, used consistently meeting the statutory requirements whilst also allowing the Council to procure the desired outcomes. We must aim for a 'tell us once' approach with our suppliers to avoid unnecessary duplication in the bidding process.
- 6.3 Councils and businesses have several statutory duties under the Modern Slavery Act 2015, Bradford Council is committed to the adoption of the Charter Against Modern Slavery. This Charter is a way of recognising what councils can do above their statutory obligations to raise awareness and ensure their own supply chains don't contribute to modern slavery. A Supplier Code of Conduct will be developed and implemented proportionately as a contractual requirement and the Council will adopt a reporting tool which connects to Transparency In Supply Chains (TISC) reporting globally and our suppliers will be expected to register their modern slavery statements as part of our terms and conditions.



## 7

### Behaving commercially

- 7.1 The Council will develop and publish a pipeline of opportunities, market positioning statements and commissioning strategies. By sharing these intentions and plans publicly the market will have opportunity and time to engage with the Council pre-procurement in a considered and intelligent manner. This will allow commissioning and procurement officers to gain important market knowledge when developing the Council's requirements.
- 7.2 The Council will think in terms of outcomes rather than process and use feedback to challenge disproportionate procedures. All procurement's should be solution focused considering risk appropriately.
- 7.3 The Council will apply a mature, fair and proportionate commercial approach to the contracts it manages.  
  
This approach will increase efficiency, provide continuous improvement over time and added social value for the District.

## 8

### Developing the procurement community

- 8.1 Forums will be created to develop critical supplier relationships the governance of our relationship with suppliers will be of paramount importance . Procurement and Contract Management networks will be established, offering good practice guidance, an environment where procurement practitioners and contract managers can share good practice and development opportunities for other staff whose role may not solely be procurement or contract management.
- 8.2 Training will be extended to suppliers with sessions to be held on procurement and contract management with "How to" topics and buyer engagement events. The Council will be proactive in its supplier development
- 8.3 This community extends to our public sector partners in the Yorkshire and Humber region but also within the District. The Council must maintain a presence regionally through active participation in the YORprocure regional procurement group and also aim to establish a network of procurement professionals with the districts anchor institutions such as Bradford University, Bradford Clinical Commissioning Group and other public sector anchor institutions. This should drive a consistent approach to contractual relationship with our supply chain.

## Digitally transforming our procurement processes

- 9.1 The Council's transactional processes will be transformed with a focus on digitalisation and integration of the different elements of the procurement cycle to the benefit of the Council and suppliers.
- 9.2 We will review the Procure to Pay process, making use of new digital technologies to increase efficiency and transparency. Where we can we must increase the use of electronic communications, such as sending and receiving all purchasing documents by email and paying key suppliers as effectively as possible.
- 9.3 During the lifetime of this strategy the Council's e-procurement portal will be re-procured. This is an opportunity to digitise further and expand the solution in to other areas of the cycle such as commission, contract management and spend analysis.
- 9.4 Exploring digital technology is one of the enablers in the National Procurement Strategy and is an area we will look at not only for performance monitoring but to enhance our forward planning.



## 10

## What next?

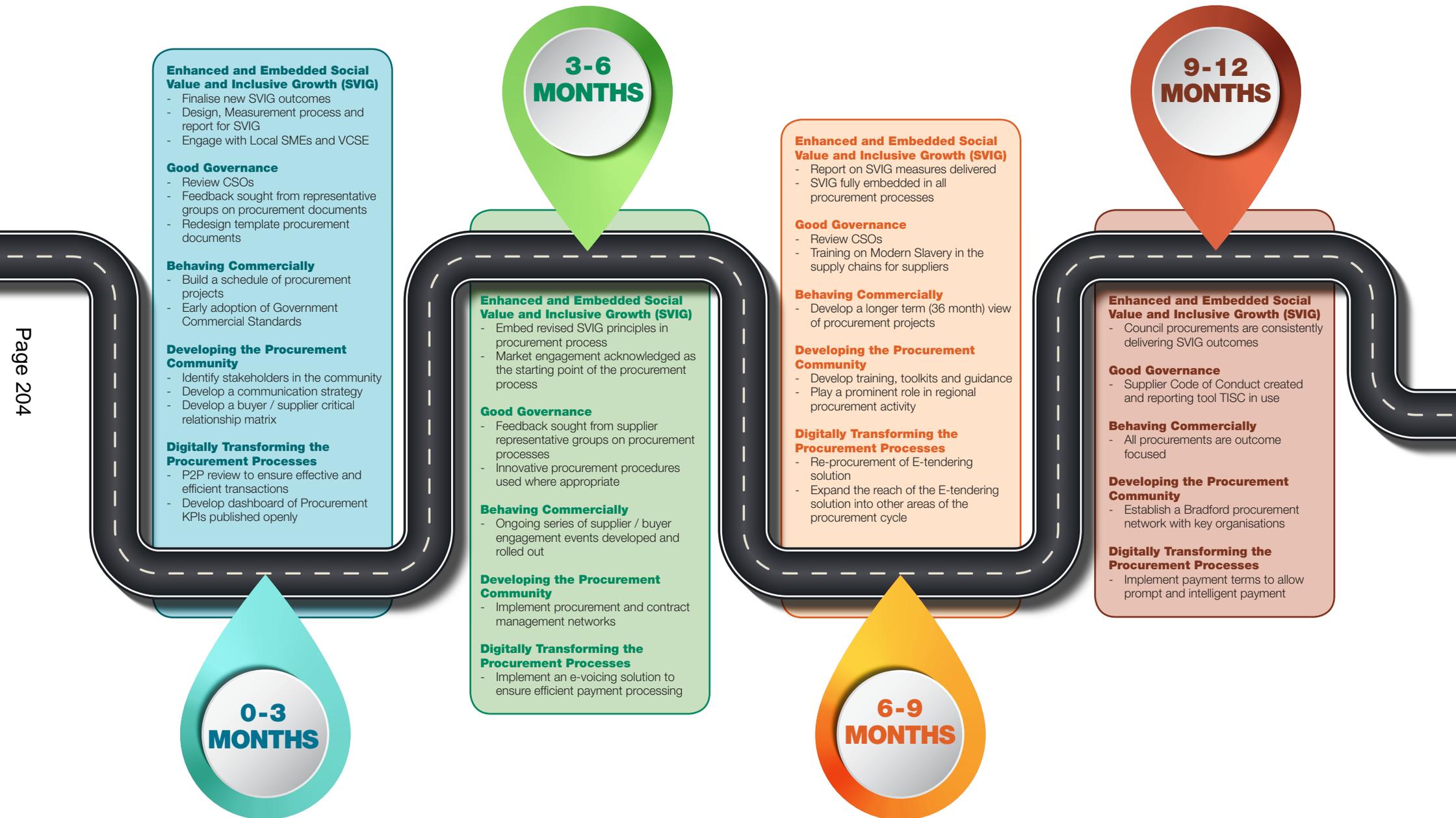
- 10.1 This strategy will help guide and shape our thinking in developing the detailed work plans and Key Performance Indicators required to deliver the aspirations and commitments. Although set against a background of uncertainty and change, the impact of COVID-19 and Brexit on the legislative framework provided through the EU Procurement Directives on procurement activities will become clearer over the life of the Strategy.

## 11

## Contact us

- 11.1 **Ian Westlake – Head of Procurement**  
ian.westlake@bradford.gov.uk
- 11.2 **Strategic Procurement Team**  
procurement@bradford.gov.uk
- 11.3 **Strategic Contract Management**  
strategiccontracts@bradford.gov.uk
- 11.4 **Strategic P2P**  
procuretopay@bradford.gov.uk

12.1 The initial road map for the success of this strategy is set out below.



# 13

## Measurable actions

- Local spend is greater than 60% by 2030
- A year on year increase in spend with the local VCSE
- Payment to all our suppliers will be made in 30 days or less from receipt of valid invoices



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## **Report of the City Solicitor to the meeting of Council to be held on Tuesday 8 December 2020**

**A**

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**Subject:**

**Appointment of the Honorary Recorder**

**Summary Statement:**

**Council is asked to approve the appointment of the Honorary Recorder.**

---

Parveen Akhtar  
City Solicitor

Phone: 01274 432496  
Email: [parveen.akhtar@bradford.gov.uk](mailto:parveen.akhtar@bradford.gov.uk)

## **1. SUMMARY**

- 1.1 Richard Mansell, QC was appointed as Resident Judge at Bradford Combined Court Centre with effect from 17 August 2020 following the retirement of His Honour Judge Jonathan Durham Hall QC. Notification of his appointment was included in the Lord Mayor's Announcements to the Extraordinary Meeting of Council on 8 September. This is the first full Council meeting since his appointment as Resident Judge in Bradford to enable the Council to approve his appointment as Honorary Recorder.
- 1.2 The purpose of this report is to formally invite the Council to approve the appointment of His Honour Judge Richard Mansell QC as Honorary Recorder of Bradford following the retirement of His Honour Judge Jonathan Durham Hall QC.

## **2. BACKGROUND**

- 2.1 The Courts Act 1971 empowers the Council to appoint an Honorary Recorder for Bradford.
- 2.3 It has been the practice in Bradford to offer the position of Honorary Recorder to the Resident Judge at Bradford Combined Court Centre.
- 2.4 The Lord Chief Justice appointed His Honour Judge Mansell QC as the Senior Judge (Resident Judge) at Bradford Combined Court Centre with effect from 17 August 2020.
- 2.5 His Honour Judge Mansell QC replaces His Honour Judge Durham Hall QC, who retired as Honorary Recorder of Bradford in July 2020.

## **3. OTHER CONSIDERATIONS**

- 3.1 An Honorary Recorder is an unpaid, ceremonial office created to maintain and develop close links between councils and the judiciary, and to encourage an understanding of the judicial system among the community. The functions of Honorary Recorder include attending ceremonial and civic functions, and inviting Members of the Council to attend judicial events. The Lord Chief Justice is keen for councils to use the power available to them to make such an appointment.

## **4. FINANCIAL AND RESOURCE APPRAISAL**

There are no financial or resource implications for the decision sought.

## **5. RISK MANAGEMENT AND GOVERNANCE ISSUES**

There are no risk management or governance issues for the decision sought.

## **6. LEGAL APPRAISAL**

The Council has power to appoint a person to the position of Honorary Recorder under the provision of the Courts Act 1971.

**7. OTHER IMPLICATIONS**

None

**8. RECOMMENDATIONS**

- 8.1 To formally approve the appointment of His Honour Judge Richard Mansell QC as Honorary Recorder of Bradford during his tenure as Resident Judge at Bradford Combined Court Centre, in accordance with the Courts Act 1971.
- 8.2 To request that the City Solicitor, in consultation with the Lord Mayor make appropriate arrangements to mark his appointment when circumstances permit.

**9. APPENDICES AND BACKGROUND DOCUMENTS**

None

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