



Council

Members of the council are hereby summoned to attend a non-decision making meeting of the Council to debate the business on the agenda set out below on

Tuesday, 25 January 2022

19:30

The meeting is to be held remotely and will be livestreamed on the Council's YouTube channel.

Agenda

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1 Lord Mayor's announcements	
2 Declarations of interest	
(Please note that it is the responsibility of individual members to declare an interest prior to the item if they arrive late for the meeting)	
3 Public questions/petitions	
To receive questions / petitions from the public which have been submitted in accordance with the council's constitution.	
4 Minutes	5 - 48
To agree the accuracy of the minutes of the meetings held on 30 November and 1 December 2021.	
5 Questions to cabinet members	
(A copy of the questions and replies will be available on the council website prior to the meeting)	
6 Appointment of external auditors	49 - 76

Purpose - This report sets out proposals for appointing the external auditor to the council for the accounts for the five-year period from 2023/24.

7 Treasury Management Mid Year review 77 - 92

Purpose - To note the Treasury Management Mid Year review.

8 Motions 93 - 98

To consider motions for which notice has been given in accordance with the council's constitution.



Annabel Scholes
Executive director of corporate and commercial services

For further information please contact:

Lucy Palmer, democratic team leader
t: (01603) 989515
e: lucypalmer @norwich.gov.uk

Democratic services
City Hall, Norwich, NR2 1NH
www.norwich.gov.uk

Date of publication: **Monday, 17 January 2022**

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Council

19:35 to 22:30

30 November 2021

Present: Councillors Maguire (Lord Mayor), Ackroyd, Button, Bogelein, Brociek- Coulton, Carlo, Champion, Davis, Driver, Everett, , Fulton-McAlister (M), Galvin, Giles, Grahame, Hampton, Harris, Haynes, Huntley, Jones, Kendrick, Lubbock, Manning, Oliver, Osborn, Packer, Peek, Price, Sands (M), Schmierer, Stonard, Stutely, Waters, Wright and Youssef

Apologies: Councillors Everett, Fulton-McAlister (E) Maxwell, Sands (S), Thomas (Va) and Thomas (Vi)

1. Lord Mayor's Announcements

The Lord Mayor explained the procedures for this informal meeting of the council that was being held remotely on public health grounds. Members would discuss the items on the agenda and then a vote taken. The votes cast would be ratified and used to inform decisions made at an in person meeting of a quorum of members of the council to be held on 1 December 2021.

The Lord Mayors invited group leaders to pay tribute to former councillor Adrian Holmes who had recently passed away. Members gave a round of applause in recognition of his achievements.

2. Declarations of interests

Councillors Waters, Harris, Oliver, Brociek-Coulton, Kendrick, Driver, Peek and Button declared a non-pecuniary interest in item 6 on the agenda, and motion 10e as council tenants.

Councillor Bogelein declared a pecuniary interest in motion 10b and would withdraw from the meeting for the discussion and vote on the item.

3. Public questions/petitions

The Lord Mayor announced that two public questions and two petitions had been received.

The first public question was from Mr Peter Cutting.

Mr Cutting asked the cabinet member for health and wellbeing the following question:

“Norwich City Council repeatedly removed material objecting to the tennis court construction in Heigham Park.

The opinion of a UEA Law Professor (UK Government advisor on Human Rights):

‘The legal position is quite clear. A council is under enforceable duties - contained in s.6 of the Human Rights Act 1998 - not to take a decision or perform any action that breaches someone else's rights - and here, it is your group's rights to freedom of expression under Article 10 of the ECHR/HRA. That this is political expression enhances your position.

The fact that a council has the power - and I've seen correspondence from Councillor Packer to take action 'against' political speech under a different statute does not absolve it of its duties under the HRA, and under s.6 of that Act.’

How does the council justify removing its citizens rights to freedom of expression?”

Councillor Packer, the cabinet member for health and wellbeing gave the following response:

“The council supports residents rights to freedom of expression and our decisions in relation to the improvement of tennis facilities in Heigham Park have been debated on numerous occasions.

With regards to the banners and posters that were placed on the perimeter fence of Heigham Park, the council sought its own legal advice. This was clear that that council had the right to remove these posters from its own property. Several weeks later there has been no legal challenge to the actions taken.

I can see little to be gained from debating the removal of posters any further and it is simply false to suggest freedom of expression has been curtailed.

I am greatly looking forward to the opening of the new courts in coming weeks.”

(By way of a supplementary question, Mr Cutting referred to two complaints he had submitted and asked why there had been no response to these. Councillor Packer replied that he would need to look into this matter and would respond to Mr Cutting personally.)

The second public question was from Ms Katie Ward.

Ms Ward asked the cabinet member for safer, stronger neighbourhoods the following question:

“It is appreciated that the council is acting regarding the increasing incidents of spiking in the city. Whilst creating awareness surrounding the incidents is essential to deterrence, the increasingly violent and subversive means employed by those looking to assault women – most recently the use of injections – completely disempowers individuals from ensuring their own safety. Therefore, it is vital that increasing awareness is coupled with increasing action by the police – it is essential that where incidents occur, they are met with prosecution and conviction. The motion presented here states that the council are working closely with the police force to ensure that the hot spots in the city are monitored, but as a woman I want to query whether the council will be closely monitoring the successful arrests and convictions for these violent acts against women to ensure that police response is adequate, and the perpetrators are removed from our streets?”

Councillor Jones cabinet member for safer, stronger neighbourhoods gave the following response:

“The increase in incidents of spiking is very worrying. The city must remain a safe, welcoming place for all to enjoy any time of the day and night.

The council is working closely with Norfolk Constabulary and other night-time economy stakeholders to tackle this issue. The Constabulary take the lead in investigating criminal matters, but where the council can support police investigations, we will, to ensure a successful prosecution.

If there are issues with the management of a particular licensed premises, enforcement powers are available to the council and other responsible authorities. We would not hesitate to act where we believe this would assist in keeping women safe.

Through close joint working on initiatives such as the community safety partnership we will do all we can to ensure that women’s safety at night continues to be monitored and support the constabulary to address this serious matter.”

(In response to a supplementary question, Councillor Jones said that it was clear that there was only so much the Police could achieve around prosecutions, and this was a wider issue for the criminal justice system and the government. The system needed to be properly resourced and the council would continue to work with partners and stakeholder using the powers available, to protect its citizens.)

4. Minutes

RESOLVED to approve the accuracy of the minutes of the meeting held on 28 and 29 September 2021.

5. Questions to Cabinet Members/Committee Chairs

The Lord Mayor said that twenty two questions were received from members of the council to cabinet members/committee chairs for which notice had been given in accordance with the provisions of the council's constitution.

The questions are summarised as follows:

- Question 1:** Councillor Champion to the cabinet member for climate change and digital inclusion on a net zero plan.
- Question 2:** Councillor Price to the cabinet member for inclusive and sustainable growth on local nature recovery strategies.
- Question 3:** Councillor Galvin to the cabinet member for climate change and digital inclusion on a climate change communication strategy.
- Question 4:** Councillor Haynes to the cabinet member for environmental services on fly tipping.
- Question 5:** Councillor Bogelein to the cabinet member for safer, stronger neighbourhoods on Temporary Event Notices.
- Question 6:** Councillor Youssef to the cabinet member for safer, stronger neighbourhoods on drink spiking in Norwich.
- Question 7:** Councillor Carlo to the cabinet member for climate change and digital inclusion on air pollution monitoring.
- Question 8:** Councillor Schmierer to the cabinet member for safer, stronger neighbourhoods on a buy-to-let policy.
- Question 9:** Councillor Grahame to the cabinet member for environmental services on dog fouling.
- Question 10:** Councillor Osborn to the deputy leader and cabinet member for social housing on housing compliance.
- Question 11:** Councillor Peek to the cabinet member for health and wellbeing on trees in West Earham woods.
- Question 12:** Councillor Button to the deputy leader and cabinet member for social housing on grounds maintenance.
- Question 13:** Councillor Mike Sands to the leader of the council on Remembrance Sunday.
- Question 14:** Councillor Driver to the deputy leader and cabinet member for social housing on the Webster Court development.
- Question 15:** Councillor Giles to the leader of the council on the Norwich Living Wage campaign.

- Question 16:** Councillor Everett to the leader of the council on the Digi-tech factory.
- Question 17:** Councillor Manning to the cabinet member for health and wellbeing on the Lakenham Recreation Ground tennis courts.
- Question 18:** Councillor Matthew Fulton-McAlister to the cabinet member for climate change and digital inclusion on COP26.
- Question 19:** Councillor Lubbock to the cabinet member for inclusive and sustainable growth on parking enforcement.
- Question 20:** Councillor Bogelein to the chair of the scrutiny committee on resources for scrutiny.
- Question 21:** Councillor Haynes to the chair of scrutiny on training on the constitution.
- Question 22:** Councillor Osborn to the cabinet member for environmental services on the delivery of communal bins.

(Details of the questions and responses were available on the council's website prior to the meeting and attached to these minutes at Appendix A, together with a minute of any supplementary questions and responses.)

6. Health and safety compliance in council homes

(Councillors Waters, Harris, Oliver, Brociek-Coulton, Kendrick, Driver, Peek and Button had declared a non-pecuniary interest in this item).

Councillor Kendrick moved and Councillor Harris seconded the recommendations as set out in the report.

Following debate it was,

RESOLVED, with seven abstentions and twenty three voting in favour, to:

- 1) Approve that the HRA capital programme is adjusted by £1m in 2021/22 and £1m in 2022/23 to support delivery of capital upgrade works relating to the Compliance Improvement Plan as set out in paragraph 48 of the 12 November cabinet report; and
- 2) note that quarterly progress reports against the Compliance Improvement Plan will be presented to cabinet.

7. Licensing Act 2003 – Statement of Licensing Policy

Councillor Jones moved and Councillor Stutely seconded the recommendations as set out in the report.

Following debate it was,

RESOLVED, unanimously, to adopt the Statement of Licensing Policy.

8. Polling district and polling places review 2021

Councillor Giles moved and Councillor Kendrick seconded the recommendations as set out in the report.

Following debate it was,

RESOLVED, unanimously, to approve:-

- 1) the polling scheme as recommended by the polling district and place working;
and
- 2) the polling district boundaries changes in Crome, Mancroft and University wards

9. Constitutional amendments

Councillor Kendrick moved and Councillor Waters seconded the recommendations as set out in the report.

The Lord Mayor explained that as he had received a request for the votes to be taken in parts, with recommendation 1(a) taken first, then recommendations 1(b) and 2 would be taken together.

Following debate it was,

RESOLVED, with thirteen voting against and twenty one voting in favour to adopt the proposed changes to the Questions by Councillor Procedure in the Procedure Rules by amending paragraph 51 so that questions at Council may only be asked to the Leader or Cabinet members.

It was then,

RESOLVED, unanimously, to:

- 1) (b) amend paragraph 56 to read:

“Written replies will be given to questions by the relevant Cabinet member or committee chair or their nominee but shall not be the subject of any further debate. *Answers should provide a full response to questions in a succinct way.* If the reply cannot be given at the council meeting, a written answer will be provided to the questioner within 10 working days of the meeting.”

- 2) Adopt the proposed changes to the Motions on Notice Procedure in the Procedure Rules as suggested in Appendix 1

10. Motions

(Notice of the following motions, 10(a) to 10(f), as set out on the agenda, had been received in accordance with the council's constitution.)

(With two hours having passed since the beginning of the meeting, the Lord Mayor asked if the remaining business could be taken as unopposed. Councillor Waters opposed item 10(e) and Councillor Jones opposed item 10(f).)

10 (a) Motion: Veterans

(Proposer Councillor Mike Sands, seconder Councillor Davis. Unopposed business)

"This council supports our Armed Forces, forces families and veterans living in city. We are proud that British Forces are respected worldwide for their professionalism and excellence. Over the last year our Armed Forces have shown just how indispensable they are to the Nation's security, from recently airlifting British nationals out of Afghanistan to driving NHS ambulances and delivering vital fuel. Just as our Armed Forces work to keep us all safe and our country secure, so we must do all we can to support them both in our city and beyond.

Council **RESOLVES** to:

- 1) note that;
 - a) The Armed Forces Bill, which will soon return to the Commons from the Lords, provides an important opportunity to tangibly improve the lives of our service personnel, veterans, and their families. The current Armed Forces Covenant is not currently enshrined in law allowing for wide variations in its interpretation at local level. When this is combined with years of government austerity it results in many local authorities being forced to concentrate ever more on their basic, statutory services.
 - b) That following their service, commonwealth veterans can be left with steep financial costs to remain in the UK. Whilst their applications are ongoing, commonwealth veterans are unable to seek employment or claim social security, with many facing NHS bills of tens of thousands of pounds for life saving treatment following service that placed their own lives at risk for the benefit of us all.
- 2) ask the Leader to write to: -
 - a) The Minister of State for Immigration, The Parliamentary Under-Secretary of State for Defence People and Veterans, and our two local MPs to pledge support for the incredible service of men and women from the Commonwealth and Nepal who have served and do serve in the UK Armed Forces, and the unconscionable way so many of them and their families are being treated. In particular we agree with veterans who believe their right to stay in the UK

should be awarded automatically on account of their service and note that the recent government public consultation was insufficient in scope; with the only proposal being to offer a visa fee waiver after 12 years' service – an unduly high threshold that will alleviate costs for only a fraction of service personnel. Council believes that only meaningful reform will deliver justice, and that means introducing a free and equitable route to citizenship that incorporates families, and – as we as a nation do not know how many have been affected by this injustice – believe that the government should establish a dedicated unit to assist veterans, similar to the Windrush Taskforce.

- b) The minister of state for immigration and minister for veterans to pledge our support for all commonwealth veterans who have served a minimum of 4 years to be granted automatic and free of charge right to remain in the UK and that any veteran who completes 12 years of service to be automatically given British Citizenship without charge.
 - c) The defence secretary to request that a £35m fund to support British veterans and Afghan interpreters is delivered (through funding recovered from cancelled MoD interpreter contracts) for grants to charities and Local Authorities in England to provide mental health support services for veterans and support for those Afghan nationals who have relocated to the UK through the ARAP scheme.
- 3) develop, working with the veteran's champion and cabinet member for social inclusion an enhanced Norwich Armed Forces Community Covenant, to complement the Armed Forces Covenant. "

10(b) Motion: Local energy business campaign

(Proposer Councillor Hampton, seconder Councillor Stutely. Unopposed business)

The following amendment was received from Councillor Osborn:-

Inserting the words "**to become a licensed supplier**" after "**running costs**" in resolution 2a).

Inserting the words "**and the risks of traded power market volatility**" after "**local customers**" in resolution 2a).

Replacing the word "**impossible**" with the words "**very difficult**" in resolution 2a).

Removing the word "**financial**" in resolution 2b).

Inserting the words "**and recognising the benefit their investments would bring locally**" after "**electricity supplier's operation**" in resolution 2b).

Inserting the words "**also support emissions reduction locally**" after "**if they wished, and**" in resolution 2b).

Inserting the words “**go towards creating a resilient, smart local energy system, benefitting energy security**” after “**local services and facilities,**” in resolution 2c).

Inserting the words “**used**” before the words “**to reduce local**” in resolution 2c).

As no other member objected, the amendment became part of the substantive motion.

Norwich City Council **RESOLVES** to; -

- 1) Acknowledge the efforts that this Council has made to reduce greenhouse gas emissions and promote renewable energy including such programmes as ROAR power, COSY City, Solar Together and Big Switch and Save in recent years.
- 2) Further recognise:
 - a) that very large financial setup and running costs to become a licensed supplier involved in selling locally generated renewable electricity to local customers and the risks of traded power market volatility result in it being very difficult for local renewable electricity generators to do so,
 - b) that making these costs proportionate to the scale of a renewable electricity supplier’s operation and recognising the benefit their investments would bring locally would create significant opportunities for local companies and community groups to be providers of locally generated renewable electricity directly to local people, businesses, and organisations, if they wished, and also support emissions reduction locally and
 - c) that revenues received by such local companies or community groups that chose to become local renewable electricity providers could be used to help improve the local economy, local services and facilities, go towards creating a resilient, smart local energy system, benefitting energy security and used to reduce local greenhouse gas emissions;
 - d) Notes that the House of Commons Environmental Audit Committee, as a result of its 2021 Technological Innovations and Climate Change inquiry, recommended that a Right to Local Supply for local energy suppliers be established to address this;
 - e) Accordingly resolves to support the Local Electricity Bill, currently supported by a cross-party group of 266 MPs and which, if made law, would establish a Right to Local Supply which would promote local renewable electricity supply by making the setup and running costs of selling renewable electricity to local customers proportionate to the size of the supply company; and
- 3) Further resolves to
 - a) inform the local media of this decision,
 - b) write to local MPs, asking them to support the Bill, and

- c) write to the organisers of the campaign for the Bill, Power for People, (at Camden Collective, 5-7 Buck Street, London NW1 8NJ or info@powerforpeople.org.uk) expressing its support.

10(c) Motion: Fireworks

(Proposer Councillor Stutely, seconder Councillor Button. Unopposed business)

RESOLVED that:

This Council **RESOLVES** to:

- a) call on the relevant licensing authorities to require all public firework displays within the city boundaries to be advertised in advance of the event, allowing residents to take precautions for their animals and vulnerable people.
- b) actively promote a public awareness campaign about the impact of fireworks on animal welfare and vulnerable people – including the precautions that can be taken to mitigate risks.
- c) write to the UK Government urging them to introduce legislation to limit the maximum noise level of fireworks to 90dB for those sold to the public for private displays; and
- d) encourage local suppliers of fireworks to stock ‘quieter’ fireworks for public display.”

10(d) Motion: Anti-social behaviour and residents’ feeling of safety

(Proposer Councillor Bogelein, seconder Councillor Osborn. Unopposed business)

The following amendment from Councillor Jones was received:

Inserting the words “**the government and other statutory agencies**” after “**to lobby**” in resolution 2a).

Replacing the words “**for and implementing**” with the words “**to implement**” in resolution 2a).

Inserting the words “**as planned**” after “**introducing**” and the words “**through the developing community safety strategy**” after “**feelings of safety**” in resolution 2b).

Replacing the words “**bringing forward the underspend of the estate aesthetics programme in the coming financial year**” with the words “**giving consideration to taking forward any underspend of the estate aesthetics programme at the end of the financial year**” in resolution 2c).

Replacing the words “**looking at**” with the words “**continuing to look at**” in resolution 2d).

Replacing the words “**using**” with the words “**continuing to work with the police and supporting the use of**” in resolution 2d).

Inserting the words “**giving consideration to, through the review of the HRA Business Plan,**” before the word “**providing**” in resolution 2f).

Replacing the word “**increasing**” with the words “**continuing, increasing and developing**” in resolution 2g).

Inserting the words “**including as part of the Safer Neighbourhood Initiative**” after “**together with officers**” in resolution 2g).

Inserting the words “**alongside those existing**” after the words “**producing a strategy**” in resolution 2i).

So that the revised motion becomes:-

“The level of anti-social behaviour recorded in Norwich varies greatly in different parts of the city. The percentage of residents who feel safe in their communities also varies and it is largely the case that council tenants feel less safe than residents in other forms of housing.

RESOLVED that:

1) Council notes:

- a) Residents’ feelings of safety and anti-social behaviour can be linked to the state of cleanliness and upkeep of an area.
- b) Anti-social behaviour is the one category that has been marked as red on the council’s risk register since the introduction of the new risk register.
- c) The council has recently changed its approach to responding to anti-social behaviour in order to improve the experience of those who report anti-social behaviour to the council.

2) Council resolves to ask cabinet to consider:

- a) continuing to lobby the government and other statutory agencies to implement measures which address the structural drivers behind anti-social behaviour;
- b) introducing, as planned, a separate theme in the covid recovery plan to look at actions that reduce anti-social behaviour and increase feelings of safety, through the developing community safety strategy;
- c) giving consideration to taking forward any underspend of the estate aesthetics programme at the end of the financial year to address issues

of cleanliness and upkeep on council estates, which can influence anti-social behaviour and feelings of safety;

- d) continuing to opportunities to increase CCTV coverage, where the evidence indicates a demand and to increase the monitoring of CCTV in line with requests from the public, councillors and the police;
- e) continuing to work with the police and supporting use of partial premises closure orders for public spaces such as staircases which suffer from frequent use of drug dealing and drug use;
- f) giving consideration to, through the review of the HRA Business Plan, providing the budget to increase the number of safer neighbourhood coordinators;
- g) continuing, increasing and developing resident engagement around anti-social behaviour through regular resident audits together with officers;
- h) communicating with residents the option of a community trigger as a way to escalate situations around anti-social behaviour, where action by the council and partner agencies has not resulted in any improvement;
- i) producing a strategy, alongside those existing, for designing out crime in council-owned parks and public spaces.”

10(e) Motion: Housing safety compliance

Councillor Lubbock moved and Councillor Ackroyd seconded the motion.

“In October 2021 the council wrote to 17,000 tenants and leaseholders to inform them of its failure to carry out legal safety checks on properties that it has responsibility for.

The verdict of the Regulator for Social Housing (RSH) is that 'Norwich City Council has failed to meet statutory health and safety requirements in relation to fire, electrical and water safety....and as a consequence there was the potential for serious detriment to tenants.'

New governance arrangements, comprehensive plans and proposals are being developed to return NCC homes to full compliance, including the creating of a Health and Safety Compliance Board to oversee the process of implementing a 'Compliance Improvement Plan'.

Council **RESOLVES** to increase the membership of the Health and Safety Compliance Board to include members who are external to the administration in order to improve scrutiny, openness and transparency. This increase will include representatives of tenants and leaseholders - the voice of those who receive the services - and members of the opposition parties, for at least 2 years or the duration of the Health and Safety Compliance Board.”

With twelve voting in favour and eighteen voting against, the motion was lost.

(As three hours had passed since the beginning of the meeting, the Lord Mayor took vote on continuing with the meeting.

With one vote in favour of continuing, the meeting was closed.

The remaining agenda item, motion 10 (f) on drink spiking, would be heard at the next meeting of full council).

The meeting was closed.

LORD MAYOR



Council
30 November 2021
Questions to cabinet members or chairs of committees

Question 1

Councillor Champion to ask the cabinet member for climate change and digital inclusion the following question:

“I’m glad the council has reaffirmed its commitment to UK100. I understand that this means the council has ‘set ambitious Net Zero targets for greenhouse emissions of 2030 for council operations and 2045 for areawide emissions at the latest’. Therefore, will the council publish a clear plan showing how these targets will be reached?”

Councillor Hampton, the cabinet member for climate change and digital inclusion’s response:

“The council was one of the first to benchmark its carbon footprint in 2007, and has reduced its emissions by 71.1 % since then through a series of ambitious Carbon Management Programmes. Work is underway on our next carbon management programme to take us to our 2030 target and will cover scope 1-3 emissions sources.

Developing a plan for the city will fall within the scope of the independent Norwich Climate Commission, with City Vision partners working towards the commission’s recommendations as appropriate. However, it is already clear that to achieve Net Zero by 2045 national policy, funding and regulatory frameworks must be revised and co-ordinated to enable a faster transition to a low carbon society. Regretfully presently the UK Net Zero target year is 2050.”

(By way of a supplementary question, Councillor Champion said that membership of UK100 meant that the council could be involved in various green campaigns and asked for details of which campaigns had been supported by the council. Councillor Hampton replied that it was early days of the council’s membership and she hoped to learn from its experience and be involved in future campaigns.)

Question 2

Councillor Price to ask the cabinet member for inclusive and sustainable growth the following question:

“I understand that Local Nature Recovery Strategies will map the most valuable existing habitat for nature and map specific proposals for improving habitat for wildlife. We must protect and improve these habitats and their natural states, such as being dark at night. Will the cabinet member agree to work with volunteers from Norwich Greener Spaces, who have been mapping wildlife in Norwich, to identify, protect and enhance very local biodiversity corridors, as well as other local groups that have produced similar data?”

Councillor Stonard, the cabinet member for inclusive and sustainable growth’s response:

“Nature Recovery Networks (NRN) are a commitment in the government’s 25 Year Environment Plan and are also established by the Environment Act 2021 which recently received Royal Assent. A key part of delivery of the NRN at a local level will be the use of mapping and data to develop Local Nature Recovery Strategies (LNRS). The details of what LNRS must do or contain are not yet known and the government is yet to publish guidance and best practice advice to aid in their production. But I would certainly hope that locally the scope for utilising the vast amount of expertise and goodwill that exists within the voluntary sector is maximised.”

(As Councillor Price’s supplementary question on audits and targets around biodiversity was not part of Councillor Stonard’s portfolio, the cabinet member for climate change and digital inclusion said that she would contact Councillor Price directly with the information.)

Question 3

Councillor Galvin to ask the cabinet member for climate change and digital inclusion the following question:

“I was pleased to see the council tweet during COP26. However, these tweets focused on personal actions and ignored: the crisis; the need for system change; the relevance of COP26 and how residents can engage to make real change, putting pressure on decision makers at a high level. The council suggested personal actions to help reduce emissions including things like recycling. Recycling is important, but research suggests that focusing on environmental behaviours that don’t significantly contribute to tackling climate change, while being important for other reasons, risks negative spill over, rebound effects and a false impression of the scale of the problem. A councillor enquiry response told me the council does not have a climate change communication strategy. Will the cabinet member commit to developing a climate change communication strategy which makes sure that messaging is in line with the extensive research on climate messaging?”

Councillor Hampton, the cabinet member for climate change and digital inclusion’s response:

“I am glad you agree on the importance of communicating to citizens on climate change. If you would like to share the research you mentioned, our environmental and communications teams would be happy to review it.

The council’s Environmental Strategy 2020 – 2025 includes information on how the council will engage and communicate, including that the council will:

- carry out a range of work to engage and communicate with residents, voluntary and community organisations, businesses, academic institutions and other statutory bodies on the progression of the environmental strategy.
- utilise the latest research and approaches in community engagement and environmental psychology to inform communications activity
- evaluate the response and outcomes accordingly.

As set out in the update report to cabinet in October, the council is taking stock of environmental response and will consider any communication aspects as part of that work.”

(In response to Councillor Galvin’s supplementary question, Councillor Hampton said that although output on the council’s Twitter account was limited, other press releases were published during COP26 promoting outcomes and system change.)

Question 4

Councillor Haynes to ask the cabinet member for environmental services the following question:

“I am very concerned that insufficient action has been taken by cabinet in the past to deter fly tippers. As it’s inefficient for the council to ignore residents’ reports of people illegally dumping waste and, recognising that the council could usefully issue fixed penalty notices or seek to educate the perpetrators, will the current cabinet member commit to taking some action to deter fly-tipping in the city?”

Councillor Oliver, the cabinet member for environmental services’ response:

“The council is aware of the impact that fly tipping is having on our neighbourhoods. A Task and Finish Group has been established by the council’s scrutiny committee to examine this problem and propose solutions to address it.

The Task and Finish Group is awaiting a report and recommendations from officers and will be reporting its conclusions to the scrutiny committee in due course. We will consider further possible actions when the report is produced.”

(By way of a supplementary question, Councillor Haynes asked what the reasoning was for asking residents to report flytipping when the information did not seem to be being made use of. Councillor Oliver replied that there was an ongoing Task and Finish group with an officer report on this anticipated. Recommendations from the group would be considered by cabinet).

Question 5

Councillor Bogelein to ask the cabinet member for safer, stronger neighbourhoods the following question:

“In recent weeks, temporary event notices have been granted for a number of locations throughout the city, some of them in residential areas. These licences were for alcohol and music entertainment until 2am. While I fully understand the legislation behind TENs and that only the police or public protection can object, I was surprised that public protection did not anticipate problems with licences until 2am in residential areas, especially after the numerous problems we have had with these licences in the city centre. Other temporary licences in the past have been restricted to an earlier time to prevent the negative effect on neighbours. Can the cabinet member explain how they are planning to strengthen the scrutiny by the public protection team of these TENs licences, so the action is not only reactive in terms of working with organisers once problems arise, but proactively anticipating amenity issues?”

Councillor Jones, the cabinet member for safer, stronger neighbourhoods' response:

“Norwich City Council receives approximately 30 temporary event notices (TENs) every month. The system of TENs is intended as a light touch process under the Licensing Act 2003, and many operators successfully undertake activities without causing significant disturbance to surrounding properties.

Following a recent peer review of the licensing service, consideration is being given to resourcing and operating procedures of the entire service. This review will consider the approach to TENs as well as the resourcing of the public protection team.”

(In response to a supplementary question, Councillor Jones said that the peer review was around service structure and she would follow up with more detail around this once it was known.)

Question 6

Councillor Youssef to ask the cabinet member for safer, stronger neighbourhoods the following question:

“I understand that the Night-time Economy Adviser working for Bristol City Council has developed a guide for venues on how to respond to suspected drink spiking. People are encouraged to report spiking, venues are encouraged to support police investigations, and hundreds of testing kits are being rolled out to bars, pubs and clubs. Given recently-reported incidents of spiking in Norwich, what plans are there for this council to take similar action to discourage the spiking of drinks, or needle spiking in the city?”

Councillor Jones, the cabinet member for safer, stronger neighbourhoods’ response:

“There has been an increase in reports of spiking across the country and the city over the past few months. Norfolk Constabulary are the lead agency on the prevention of crime and are working closely with venues on how to respond to suspected spiking incidents. This work is being carried out in conjunction with the Late-Night Norwich forum which includes night-time economy businesses, security staff, support services such as the SOS Bus, the Police and city council officers.

Norfolk Constabulary are carrying out investigations and are closely monitoring patterns of reported incidents. The advice being provided to premises in safeguarding victims is to encourage reporting of incidents, use of lidded vessels for drinks, advice on searching customers and support to obtain evidence. The police will act against individuals as necessary and if issues are found with the management of particular premises, then there are powers for enforcement against licensed premises.”

(In response to councillor Youssef’s supplementary question on what Norwich City Council was doing to prevent this issue, Councillor Jones said that a multiagency approach was needed and the council was looking at how to work with partners and stakeholders to make best use of the powers it had.)

Question 7

Councillor Carlo to ask the cabinet member for climate change and digital inclusion the following question:

“The draft Transport for Norwich Strategy says in some locations outside the City Centre Air Quality Management Area (AQMA) such as “Wroxham Road/ Ring Road, Sprowston and Reepham Road, Hellesdon”, nitrogen dioxide (NO_x) levels are near to where an AQMA would have to be considered. Poor air quality there has not been picked up by monitoring stations at Castle Meadow and Lakenfields. New WHO guidelines recommend halving the annual average exposure to PM_{2.5} and cutting by three quarters the annual average limit for NO_x. In view of this new information, will the city council install additional air pollution monitoring equipment across the whole city in particular along primary routes and outside schools?”

Councillor Hampton, the cabinet member for climate change and digital inclusion’s response:

“We work with Norfolk County to tackle air pollution arising from traffic. The locations that Councillor Carlo quotes from the Transport Strategy are in Broadland District. Within the city council’s area our monitoring is concentrated on the city centre Air Quality Management Area supported by the background monitoring stations. In addition, diffusion tubes have been installed outside the AQMA where traffic congestion or planned development coincides with residential areas where housing is close to the carriageway. These locations are kept under review and most recently resulted in tubes being installed on Bracondale, Hall Road, Heigham Street and St Stephens Road. We need to be mindful of the cost of the equipment and staff time when locating monitoring equipment. We will also be supporting the county’s work on School Streets by monitoring the air quality improvement that we expect to result from traffic restrictions in the vicinity of the selected schools.”

(By way of a supplementary question, Councillor Carlo asked if the cabinet member agreed that a general road traffic reduction scheme was needed across Greater Norwich to improve air quality. Councillor Hampton replied that it would be an aspiration but would need work from other colleagues.)

Question 8

Councillor Schmierer to ask the cabinet member for safer, stronger neighbourhoods the following question:

“Major new housebuilding initiatives at Anglia Square and Norwich East will see thousands of new properties built in the city. Does the cabinet member agree that the council should look to follow the example set by other European cities, most notably Amsterdam or Berlin in tackling the rise of build/buy-to-let property magnates? Amsterdam was the first city to take advantage of a law introduced by the Dutch government last month, ruling that anyone who buys a home under €512,000 must live in it for at least four years, with the hope that the move will open up the housing market to more domestic buyers and owner occupiers. Only newly-purchased properties, not apartments which are already being rented out, will be affected. Such a policy could have similar benefits for the people of Norwich who, through no fault of their own, are struggling to get onto the property ladder.”

Councillor Jones, the cabinet member for safer, stronger neighbourhoods’ response:

“There is much the UK can learn from continental Europe about how it plans for development and manages its housing stock, often delivering better quality homes at more affordable prices to residents across a range of tenures. Whereas here the cost of decent quality homes for owner occupation and private rented accommodation is unaffordable to many. I doubt whether the UK government would introduce the legislation similar to that used in Amsterdam. However, if they did, I would be happy to consider using these powers, although do note that the buy-to-let market does currently meet a housing need. I would want to sure that it did not negatively impact on availability of private rented accommodation, raising prices if supply did not meet demand. At present I believe our focus must be on improved protection for private renters, both in terms of quality and safety of accommodation and security of tenure.”

(In response to Councillor Schmeierer’s supplementary question around what the city council was doing to stop citizens being priced out of buying homes, Councillor Jones said that she would need to find out more information and asked Councillor Schmierer to contact her directly.)

Question 9

Councillor Grahame to ask the cabinet member for environmental services the following question:

“Dog fouling is frequently a problem on The Green on St Leonard’s Road. I understand that this is within the area of a dog fouling PSPO. It would be helpful if a sign were put up to discourage owners from letting their dogs foul on the grass. It would also be helpful if negligent dog owners received fixed penalty notices, in accordance with the PSPO. Will the council take either of these actions to help residents take care of their shared space?”

Councillor Oliver, the cabinet member for environmental services’ response:

“The Public Spaces Protection Order (PSPO) for dog fouling In Norwich was implemented in May of this year. Effective signage is being finalised to raise awareness of the PSPO and the fines payable for failing to follow its directions. We are also developing an enforcement approach that will support the objectives of the PSPO, and this approach will include identifying and targeting areas that are most affected by inconsiderate dog owners allowing their dogs to foul.”

(In response to Councillor Grahame’s supplementary question, Councillor Oliver said that there was not a date for review of the enforcement policy but dog owners needed to be made aware of their responsibilities. Signage on penalties for dog fouling had been requested for The Green on St Leonard’s Road).

Question 10

Councillor Osborn to ask the cabinet member for inclusive and sustainable growth the following question:

“In June, full council passed a motion on reducing harmful advertising in Norwich. In October, a planning application was submitted for 9 illuminated advertising hoardings on Heigham Street that could impact on the quality of life for residents nearby, yet the planning portal did not allow the public to submit comments on the application. More recently plans have been submitted for 3-metre high "BT Street Hubs" that would mean large, brightly-lit digital advertising screens being erected in various locations in the city. Can the cabinet member tell me whether, following the motion in June, the council is intending to review planning policy in order to address concerns about the harmful impact of illuminated advertising and to ensure that residents are able to present their views?”

Councillor Stonard, the cabinet member for inclusive and sustainable growth's response:

“The council motion of June concerned the subject of advertising and locations near schools.

It remains the council's intention to review planning policies as per the resolution, i.e., to ensure that, where possible, adverts are not sited near schools. This will be done through a review of all development management policies, which will start next year.

In the meantime, the council will continue to apply its existing policies to assess advert applications. These do allow for the impact on residents' amenity through issues such as illumination to be considered”

(By way of a supplementary question, Councillor Osborn asked for a date of the review of the planning policies. Councillor Stonard said that there was not a date for the review as yet but there were mechanisms for members of the public to respond to consultations, including those around brightly lit advertising hoardings.)

Question 11

Councillor Peek to ask the deputy leader and cabinet member for social housing the following question:

“I was of course concerned to hear of our housing compliance issues and there are many councillors that are naturally invested in the issues as council tenants themselves. We rightly self-reported ourselves to the social housing regulator. Can the cabinet member for social housing tell me what has been put in place to drive the necessary improvement plan through?”

Councillor Harris, the deputy leader and cabinet member for social housing’s response:

“We have developed a comprehensive compliance improvement plan and supporting the plan will be a risk register, trackers, and a performance dashboard. Actions will be agreed and allocated for ownership by a new compliance team working with colleagues from asset management. The compliance team will be led by a new head of asset management and a new senior compliance and building safety officer.

A Health and Safety Compliance Board, comprising of members of the administration and senior officers will have oversight of, and drive delivery of the compliance improvement plan.

The regulator has confirmed it has the level of assurance needed in the plans we have put in place to not take statutory enforcement action. We will report progress to the Regulator monthly and to cabinet quarterly.

Our aim is to work with the Regulator of Social Housing to return to a fully compliant position within 12 – 18 months.”

(Councillor Peek had no supplementary question)

Question 12

Councillor Button to ask the cabinet member for health and wellbeing the following question:

“West Earham wood remains a beautiful asset nestling between the wards in this city. In recent years I have been deeply impressed by the work of the Friends of West Earham Wood group and the efforts of the council to support them. With new S106 money identified for it, can the cabinet member for health and wellbeing comment on the number of new trees this funding will deliver for this valued green space?”

Councillor Packer, the cabinet member for health and wellbeing’s response:

“Bunkers Hill is one of many areas of woodland managed by the council. Recent works have been informed by an ecological survey and are aimed at increasing its biodiversity.

The woodland has thinned, removing approximately 70 sycamores which have a low biodiversity value. 900 trees (sweet chestnut, oak, beech, hornbeam) were planted to improve the woodland structure and biodiversity. Planting of a further 2,000 trees (Hazel, hawthorn, blackthorn, spindle, holly) has started around the woodland edge.

The Friends of West Earham Woods and the Trust for Conservation volunteers have played an important role in improving the woodland, giving more than 793 hours of their time. I would like to take this opportunity to thank them for.”

(Councillor Button had no supplementary question)

Question 13

Councillor Mike Sands to ask the leader of the council the following question:

“I note that some veterans were displeased with the lack of a formal parade at Remembrance Day this year due to the Covid-19 restrictions and safety measures which the council had agreed to earlier in the year. I have seen certain comments indicating that this is due to the council not caring about veterans or the importance of remembrance. Can the leader confirm, once again, that this is not the case and that any restrictions permitting, a full remembrance service and parade will be organised next year?”

Councillor Waters, the leader’s response:

“As you say in your own motion later on the agenda, “this council supports our Armed Forces, forces families and veterans living in city”. I was saddened to hear that some people felt the decision not to organise a parade was due to lack of care. To the contrary, the decision to hold a smaller, dignified wreath laying ceremony and Cathedral Service was made in the best interests of protecting public health. The news of a new, possibly more virulent, strain of COVID, requiring a return to the public health precautions, like wearing face masks, reminds us that the pandemic is not over.

On the basis that COVID is under control, it is our intention to organise a full remembrance service and parade next year.”

(Councillor Mike Sands had no supplementary question)

Question 14

Councillor Driver to ask the deputy leader and cabinet member for social housing the following question:

“Tackling homelessness through building safe, secure housing and support has been a cornerstone ambition of this administration for generations. I am aware that the cabinet member visited the development of new homes at Webster Court which seem a great example of how the council are looking at ambitious and creative ways of commissioning housing development projects. Can the cabinet member for social housing comment on progress with the scheme and the difference it will make?”

Councillor Harris, the deputy leader and cabinet member for social housing’s response:

“I can confirm that the six flats will be complete and ready before Christmas. People have already been identified with personalised packages of support to help them transition and settle into their new homes. This housing will change people’s lives by giving them somewhere safe, secure, and warm with the support they need to live independently.

The modular scheme is a brilliant example of off-site constructed homes that can be constructed and delivered on-site at pace to help solve our pressing need for affordable housing quickly. These homes could not have been delivered without the strong partnerships we have fostered with Broadland Housing Association and the local voluntary sector. We are grateful for the support of our partners to make this happen.”

(In response to Councillor Driver’s supplementary question, Councillor Harris said that she would be joining Councillor Driver on a visit to the site which would be her second visit.)

Question 15

Councillor Giles to ask the leader of the council the following question:

“Many constituents in my ward of Crome do not earn the real Living Wage and live with the associated poverty and pressures which come with this. As a proud Living Wage council can the leader comment on the success of the Norwich Living Wage campaign during this month and the differences it has delivered to raising pay in our city since starting?”

Councillor Waters, the leaders’s response:

“I’m pleased to say that the campaign for a ‘Real’ Living Wage, calculated each year on the cost of living, is going from strength to strength.

There are now 53 accredited living wage employers in Norwich; 16 accredited in 2021 (the largest annual increase to date). This covers 7,368 employees, including 802 uplifted to the living wage when their employer accredited (66 of these from the 16 new accreditations this year).

We have greatly benefited from the support and expertise of the Living Wage Foundation. Work started earlier this year on Norwich becoming accredited as a Living Wage City. A steering group has been formed to draw up an action plan to significantly grow the number of employers paying the Living Wage.

Our submission will be made to the Living Wage Foundation in May 2022. Our ambition is to make the real living wage the expected norm in Norwich.”

(By way of a supplementary question, Councillor Giles asked what value would be brought to the city by acquiring a Living Wage Place designation. Councillor Waters replied that there would be structural changes around insecure employment and shortcomings with the national minimum wage, and employment opportunities would be generated around the city.)

Question 16

Councillor Everett to ask the leader of the council the following question:

“The lack of good quality, well paid jobs remain a problem for many constituents in my ward, so I was particularly pleased to see the opening, which the Leader attended, of the new Digi-Tech factory thanks partly to this council winning Town Fund investment towards it. Can the leader comment on the opportunities this investment might offer this city?”

Councillor Waters, the leader’s response:

“I was massively impressed by the new Digi-Tech factory when I attended its opening. It is an inspiring building and the facilities it offers should equip the young people of the Norwich with the skills they require to thrive in the modern labour market.

It is, we believe, the first completed towns fund project in the country and is the first of eight projects set out in our investment plan which is designed not only to support skills development but also to drive regeneration and development, providing new business locations and promoting better use of underused sites. Time doesn’t allow me to list all that this may achieve but I look forward to attending several further opening events in the coming years.”

(As Councillor Everett had given apologies for the meeting, there was no supplementary question.)

Question 17

Councillor Manning to ask the cabinet member for health and wellbeing the following question:

“Representing Lakenham Ward I was pleased to visit the two newly refurbished tennis courts at Lakenham Recreation Ground. The new courts which are hard surfaced and floodlit, make them accessible throughout the year and for all weather conditions. I know from talking to my constituents that they will be much used and valued by the community. Can the cabinet member for health and wellbeing comment on the investment made and difference this will deliver for east Norwich and our wider city?”

Councillor Packer, the cabinet member for health and wellbeing’s response:

“I am pleased that we have been able to build further on the success of Norwich Parks Tennis since its inception at Eaton Park in 2012, expanding the benefits to residents at Waterloo Park, Harford Park and now this current phase delivering quality facilities at Lakenham Recreation Ground and Heigham Park. The city’s residents will benefit from the provision high quality facilities, available all year round, for extended hours, at cost to users of £35 per household per year which represents excellent value for money. Norwich Park Tennis will not only deliver for existing players but aims to be a catalyst for getting more people active and making tennis accessible for all. As you point out the new courts at Lakenham are well place to serve existing residents and also future residents of East Norwich”

(Councillor Manning had no supplementary question)

Question 18

Councillor Matthew Fulton-McAlister to ask the cabinet member for climate change and digital inclusion the following question:

“Now that COP26 has finished can the cabinet member for climate change and digital inclusion give her comments on whether the actions agreed at the conference go far enough?”

Councillor Hampton, the cabinet member for climate change and digital inclusion’s response:

“COP26 was largely a disappointment. It delivered modest progress – at absolute best – when what we need is a transformational leap. It falls short of delivering the practical measures urgently required to limit warming to 1.5C, with analysis of the pledges to come out of Glasgow having shown we’re on track to hit a disastrous 2.4C. There remains a dangerous level of ambiguity on countries’ responsibilities to align their targets to 1.5C, and the watering down of commitments to keep fossil fuels in the ground is unacceptable. Norwich will continue to show local leadership in tackling the climate crisis. But COP has once again demonstrated that the government is failing to match our ambition - and failing to treat this like the emergency it is.”

(Councillor Matthew Fulton-McAlister had no supplementary question)

Question 19

Councillor Lubbock to ask the cabinet member for inclusive and sustainable growth the following question:

“Has there been a policy change in the way the city council’s civil enforcement officers have been deployed?”

Councillor Stonard, the cabinet member for inclusive and sustainable growth’s response:

“The council’s Civil Parking Enforcement staff provide parking enforcement on behalf of the Norfolk Parking Partnership. Our Civil Enforcement Officers (CEOs) are required to enforce parking regulations fairly, lawfully and without discrimination. They are deployed to ensure that enforcement is proportionate to the problems caused by the parking.

There has been no change in policy with regards to the way in which these officers have been deployed, although a recent increase in staff turnover resulted in a temporary reduction in the number of officers available to carry out enforcement duties. We have recently recruited four new CEOs, and are reviewing the service to ensure that it continues to meet our residents’ needs”

(In response to Councillor Lubbock’s supplementary question, Councillor Stonard said that the review of the service would consider the deployment of CEOs and would take into consideration the issue of illegal parking outside schools.)

Question 20

Councillor Bogelein to ask the chair of scrutiny committee the following question:

“The scrutiny committee has the crucial function, in this council, of ensuring that checks and balances are in place and that cabinet decisions, as well as the work of the council, can be adequately scrutinised. Part of this overview and scrutiny should be carried out by vital task and finish groups which can help inform council policy going forward and scrutinise areas that are of particular importance to residents and members. In your opinion, as chair of scrutiny, does the scrutiny committee receive the resources it requires to carry out adequate scrutiny, in order to support the council in improving services for residents?”

Councillor Wright, the chair of scrutiny’s response:

“Thank you for highlighting the important work we, as a scrutiny committee undertake. There are a number of examples of excellent working between council officers and the committee, such as our last meeting exploring the council’s work on social inclusion.

In principle, the committee is supported by a lead executive director, head of legal and procurement, the democratic and electoral services manager, democratic services team leader and the scrutiny officer as well as officers from the service areas we are scrutinising.

I am aware that there have been some recent challenges in officer and member working in relation to the select committee dealing with the issue of communal bins and fly tipping. I have been assured by officers that they are very happy to work with myself and members of the select committee to understand what went wrong and how we might be able to work more effectively in future.”

(In response to Councillor Bogelein’s supplementary question, Councillor Wright said that the chair of the task and finish group was keen for it to consider information from experts as well as lived experience of local residents and he was confident that there were the resources available to do so.)

Question 21

Councillor Haynes to ask the chair of scrutiny committee the following question:

“A discussion at the end of the scrutiny committee meeting on 18th November demonstrated that members of the committee did not have a clear understanding of how the council’s constitution applies to the scrutiny committee and the setting of the scrutiny work programme. Members were unaware that TOPIC forms and recommendations from the scrutiny committee to cabinet were included in the phrase, ‘motion or amendment in similar terms to, or which has the same effect as, one that has been rejected at a meeting of council’ at point 101 of part three in the council’s constitution. Would the chair of scrutiny support training for councillors so that they can understand such meanings?”

Councillor Wright, the chair of scrutiny’s response:

“There will, in any constitution, be areas where interpretations will need to be made and I am sure the Monitoring Officer and Councillor Kendrick, chair of the constitution working party, will be happy to listen if members feel that the constitution, which went through a thorough review this year can be improved to assist clarification. If members feel that training would assist their understanding, then I am happy to add my support for it, and would be happy to add this to the annual training for scrutiny committee members.”

(By way of a supplementary question, Councillor Haynes asked is training could be made available to all members and not just the scrutiny committee. Councillor Wright said that he would support this and suggestions for training would be made through the Councillors development group.)

Question 22

Councillor Osborn to ask the cabinet member for environmental services the following question:

“On 26 July, I reported a missing communal blue bin in West Pottergate and was assured it would be replaced. It took until 9 November and several follow-ups from me until the bin was finally replaced. This is not the first time there have been delays in delivery of communal bins - for example, there have been delays in fulfilling a request for additional recycling bins at Blazer Court and at Leather House on St George's Street (which are not council-owned). Can the cabinet member tell me what action she is taking to ensure that the contractors are held to account for delivering bins on time and to the right location?”

Councillor Oliver, the cabinet member for environmental services' response:

“As part of our ongoing contract management arrangements, the Council has regular oversight meetings with our waste collection contractor. Issues such as those raised by Councillor Osborn are highlighted, and remedies sought. Where a remedial action has not been carried out, then this would be escalated both within the council and contractor
With regards to the specific issue at West Pottergate, the delay was caused by the lack of availability of bins from our supplier, which has since been addressed.”

(In response to a supplementary question, Councillor Oliver said that she appreciated ward councillors bringing issues to the council's attention so that future recurrences could be avoided.)



Council

14:00 to 14:10

1 December 2021

Present: Councillors Maguire (Lord Mayor), Davis, Galvin, Giles, Grahame, Harris, Hampton, Huntley, Kendrick, Maxwell, Osborn, Schmierer, and Waters

Apologies: Councillors Ackroyd, Bogelein, Button, Brociek-Coulton, Champion, Carlo, Driver, Everett, Fulton-McAlister (M) , Fulton-McAlister (E), Haynes, Jones, Lubbock, Manning, Oliver, Packer, Peek, Price, Sands (M), Sands (S), Stonard, Stutely, Thomas (Va), Thomas (Vi) Wright and Youssef.

1. Lord Mayor's Announcement

The Lord Mayor explained the procedures for this formal meeting of the council, convened to confirm the votes cast at the informal meeting of the council on 30 November 2021; and confirmed that the meeting was quorate.

2. Public questions / petitions

Public questions and petitions had been heard at the informal meeting on 30 November 2021.

3. Declarations of interests

Councillors Waters, Harris and Kendrick, declared a non-pecuniary interest in item 5 (below) on the agenda, and motion 9e (below) as council tenants.

4. Minutes

RESOLVED to approve the accuracy of the minutes of the meetings held on 28 and 29 September 2021.

5. Health and safety compliance in council homes

RESOLVED, unanimously, to

- 1) Approve that the HRA capital programme is adjusted by £1m in 2021/22 and £1m in 2022/23 to support delivery of capital upgrade works relating to the Compliance Improvement Plan as set out in paragraph 48 of the 12 November cabinet report; and

- 2) note that quarterly progress reports against the Compliance Improvement Plan will be presented to cabinet.

6. Licensing Act 2003 – Statement of Licensing Policy

RESOLVED, unanimously, to adopt the Statement of Licensing Policy.

7. Polling district and polling places review 2021

RESOLVED, unanimously, to approve:-

- 1) the polling scheme as recommended by the polling district and place working;
and
- 2) the polling district boundaries changes in Crome, Mancroft and University wards

8. Constitutional amendments

The Lord Mayor explained that as he had received a request for the votes to be taken in parts, with recommendation 1(a) taken first, then recommendations 1(b) and 2 would be taken together.

RESOLVED, with 4 voting against and 9 voting in favour to adopt the proposed changes to the Questions by Councillor Procedure in the Procedure Rules by amending paragraph 51 so that questions at Council may only be asked to the Leader or Cabinet members.

It was then,

RESOLVED, unanimously, to:

- 1) (b) amend paragraph 56 to read:

“Written replies will be given to questions by the relevant Cabinet member or committee chair or their nominee but shall not be the subject of any further debate. *Answers should provide a full response to questions in a succinct way.* If the reply cannot be given at the council meeting, a written answer will be provided to the questioner within 10 working days of the meeting.”

- 2) Adopt the proposed changes to the Motions on Notice Procedure in the Procedure Rules as suggested in Appendix 1

9. Motions

(Notice of the following motions, 9(a) to 9(f), below, as set out on the agenda, had been received in accordance with the council’s constitution.)

(With two hours having passed since the beginning of the meeting, the Lord Mayor asked if the remaining business could be taken as unopposed. Councillor Waters opposed item 9(e) and Councillor Jones opposed item 9(f).)

9 (a) Motion: Veterans

(Proposer Councillor Mike Sands, seconder Councillor Davis. Unopposed business)

“This council supports our Armed Forces, forces families and veterans living in city. We are proud that British Forces are respected worldwide for their professionalism and excellence. Over the last year our Armed Forces have shown just how indispensable they are to the Nation’s security, from recently airlifting British nationals out of Afghanistan to driving NHS ambulances and delivering vital fuel. Just as our Armed Forces work to keep us all safe and our country secure, so we must do all we can to support them both in our city and beyond.

Council **RESOLVES** to:

- 1) note that;
 - a) The Armed Forces Bill, which will soon return to the Commons from the Lords, provides an important opportunity to tangibly improve the lives of our service personnel, veterans, and their families. The current Armed Forces Covenant is not currently enshrined in law allowing for wide variations in its interpretation at local level. When this is combined with years of government austerity it results in many local authorities being forced to concentrate ever more on their basic, statutory services.
 - b) That following their service, commonwealth veterans can be left with steep financial costs to remain in the UK. Whilst their applications are ongoing, commonwealth veterans are unable to seek employment or claim social security, with many facing NHS bills of tens of thousands of pounds for life saving treatment following service that placed their own lives at risk for the benefit of us all.
- 2) ask the Leader to write to: -
 - a) The Minister of State for Immigration, The Parliamentary Under-Secretary of State for Defence People and Veterans, and our two local MPs to pledge support for the incredible service of men and women from the Commonwealth and Nepal who have served and do serve in the UK Armed Forces, and the unconscionable way so many of them and their families are being treated. In particular we agree with veterans who believe their right to stay in the UK should be awarded automatically on account of their service and note that the recent government public consultation was insufficient in scope; with the only proposal being to offer a visa fee waiver after 12 years’ service – an unduly high threshold that will alleviate costs for only a fraction of service personnel. Council believes that only meaningful reform will deliver justice, and that means introducing a free and equitable route to citizenship that incorporates families, and – as we as nation do not know how many have been affected by

this injustice – believe that the government should establish a dedicated unit to assist veterans, similar to the Windrush Taskforce.

- b) The minister of state for immigration and minister for veterans to pledge our support for all commonwealth veterans who have served a minimum of 4 years to be granted automatic and free of charge right to remain in the UK and that any veteran who completes 12 years of service to be automatically given British Citizenship without charge.
 - c) The defence secretary to request that a £35m fund to support British veterans and Afghan interpreters is delivered (through funding recovered from cancelled MoD interpreter contracts) for grants to charities and Local Authorities in England to provide mental health support services for veterans and support for those Afghan nationals who have relocated to the UK through the ARAP scheme.
- 3) develop, working with the veteran’s champion and cabinet member for social inclusion an enhanced Norwich Armed Forces Community Covenant, to complement the Armed Forces Covenant. “

9(b) Motion: Local energy business campaign

(Proposer Councillor Hampton, seconder Councillor Stutely. Unopposed business)

The following amendment was received from Councillor Osborn:-

Inserting the words **“to become a licensed supplier”** after **“running costs”** in resolution 2a).

Inserting the words **“and the risks of traded power market volatility”** after **“local customers”** in resolution 2a).

Replacing the word **“impossible”** with the words **“very difficult”** in resolution 2a).

Removing the word **“financial”** in resolution 2b).

Inserting the words **“and recognising the benefit their investments would bring locally”** after **“electricity supplier’s operation”** in resolution 2b).

Inserting the words **“also support emissions reduction locally”** after **“if they wished, and”** in resolution 2b).

Inserting the words **“go towards creating a resilient, smart local energy system, benefitting energy security”** after **“local services and facilities,”** in resolution 2c).

Inserting the words **“used”** before the words **“to reduce local”** in resolution 2c).

As no other member objected, the amendment became part of the substantive motion.

Norwich City Council **RESOLVES** to; -

- 1) Acknowledge the efforts that this Council has made to reduce greenhouse gas emissions and promote renewable energy including such programmes as ROAR power, COSY City, Solar Together and Big Switch and Save in recent years.
- 2) Further recognise:
 - a) that very large financial setup and running costs to become a licensed supplier involved in selling locally generated renewable electricity to local customers and the risks of traded power market volatility result in it being very difficult for local renewable electricity generators to do so,
 - b) that making these costs proportionate to the scale of a renewable electricity supplier's operation and recognising the benefit their investments would bring locally would create significant opportunities for local companies and community groups to be providers of locally generated renewable electricity directly to local people, businesses, and organisations, if they wished, and also support emissions reduction locally and
 - c) that revenues received by such local companies or community groups that chose to become local renewable electricity providers could be used to help improve the local economy, local services and facilities, go towards creating a resilient, smart local energy system, benefitting energy security and used to reduce local greenhouse gas emissions;
 - d) Notes that the House of Commons Environmental Audit Committee, as a result of its 2021 Technological Innovations and Climate Change inquiry, recommended that a Right to Local Supply for local energy suppliers be established to address this;
 - e) Accordingly resolves to support the Local Electricity Bill, currently supported by a cross-party group of 266 MPs and which, if made law, would establish a Right to Local Supply which would promote local renewable electricity supply by making the setup and running costs of selling renewable electricity to local customers proportionate to the size of the supply company; and
- 3) Further resolves to
 - a) inform the local media of this decision,
 - b) write to local MPs, asking them to support the Bill, and
 - c) write to the organisers of the campaign for the Bill, Power for People, (at Camden Collective, 5-7 Buck Street, London NW1 8NJ or info@powerforpeople.org.uk) expressing its support.

9(c) Motion: Fireworks

(Proposer Councillor Stutely, seconder Councillor Button. Unopposed business)

RESOLVED that:

This Council **RESOLVES** to:

- a) call on the relevant licensing authorities to require all public firework displays within the city boundaries to be advertised in advance of the event, allowing residents to take precautions for their animals and vulnerable people.
- b) actively promote a public awareness campaign about the impact of fireworks on animal welfare and vulnerable people – including the precautions that can be taken to mitigate risks.
- c) write to the UK Government urging them to introduce legislation to limit the maximum noise level of fireworks to 90dB for those sold to the public for private displays; and
- d) encourage local suppliers of fireworks to stock ‘quieter’ fireworks for public display.”

9(d) Motion: Anti-social behaviour and residents’ feeling of safety

(Proposer Councillor Bogelein, seconder Councillor Osborn. Unopposed business)

The following amendment from Councillor Jones was received:

Inserting the words “**the government and other statutory agencies**” after “**to lobby**” in resolution 2a).

Replacing the words “**for and implementing**” with the words “**to implement**” in resolution 2a).

Inserting the words “**as planned**” after “**introducing**” and the words “**through the developing community safety strategy**” after “**feelings of safety**” in resolution 2b).

Replacing the words “**bringing forward the underspend of the estate aesthetics programme in the coming financial year**” with the words “**giving consideration to taking forward any underspend of the estate aesthetics programme at the end of the financial year**” in resolution 2c).

Replacing the words “**looking at**” with the words “**continuing to look at**” in resolution 2d).

Replacing the words “**using**” with the words “**continuing to work with the police and supporting the use of**” in resolution 2d).

Inserting the words “**giving consideration to, through the review of the HRA Business Plan,**” before the word “**providing**” in resolution 2f).

Replacing the word “**increasing**” with the words “**continuing, increasing and developing**” in resolution 2g).

Inserting the words “**including as part of the Safer Neighbourhood Initiative**” after “**together with officers**” in resolution 2g).

Inserting the words “**alongside those existing**” after the words “**producing a strategy**” in resolution 2i).

So that the revised motion becomes:-

“The level of anti-social behaviour recorded in Norwich varies greatly in different parts of the city. The percentage of residents who feel safe in their communities also varies and it is largely the case that council tenants feel less safe than residents in other forms of housing.

RESOLVED that:

1) Council notes:

- a) Residents’ feelings of safety and anti-social behaviour can be linked to the state of cleanliness and upkeep of an area.
- b) Anti-social behaviour is the one category that has been marked as red on the council’s risk register since the introduction of the new risk register.
- c) The council has recently changed its approach to responding to anti-social behaviour in order to improve the experience of those who report anti-social behaviour to the council.

2) Council resolves to ask cabinet to consider:

- a) continuing to lobby the government and other statutory agencies to implement measures which address the structural drivers behind anti-social behaviour;
- b) introducing, as planned, a separate theme in the covid recovery plan to look at actions that reduce anti-social behaviour and increase feelings of safety, through the developing community safety strategy;
- c) giving consideration to taking forward any underspend of the estate aesthetics programme at the end of the financial year to address issues of cleanliness and upkeep on council estates, which can influence anti-social behaviour and feelings of safety;
- d) continuing to opportunities to increase CCTV coverage, where the evidence indicates a demand and to increase the monitoring of CCTV in line with requests from the public, councillors and the police;

- e) continuing to work with the police and supporting use of partial premises closure orders for public spaces such as staircases which suffer from frequent use of drug dealing and drug use;
- f) giving consideration to, through the review of the HRA Business Plan, providing the budget to increase the number of safer neighbourhood coordinators;
- g) continuing, increasing and developing resident engagement around anti-social behaviour through regular resident audits together with officers;
- h) communicating with residents the option of a community trigger as a way to escalate situations around anti-social behaviour, where action by the council and partner agencies has not resulted in any improvement;
- i) producing a strategy, alongside those existing, for designing out crime in council-owned parks and public spaces.”

9(e) Motion: Housing safety compliance

(Proposer Councillor Lubbock, seconder Councillor Ackroyd.)

“In October 2021 the council wrote to 17,000 tenants and leaseholders to inform them of its failure to carry out legal safety checks on properties that it has responsibility for.

The verdict of the Regulator for Social Housing (RSH) is that 'Norwich City Council has failed to meet statutory health and safety requirements in relation to fire, electrical and water safety....and as a consequence there was the potential for serious detriment to tenants.'

New governance arrangements, comprehensive plans and proposals are being developed to return NCC homes to full compliance, including the creating of a Health and Safety Compliance Board to oversee the process of implementing a 'Compliance Improvement Plan'.

Council **RESOLVES** to increase the membership of the Health and Safety Compliance Board to include members who are external to the administration in order to improve scrutiny, openness and transparency. This increase will include representatives of tenants and leaseholders - the voice of those who receive the services - and members of the opposition parties, for at least 2 years or the duration of the Health and Safety Compliance Board.”

With four voting in favour and nine voting against, the motion was lost.

(As the meeting the previous evening had last more than three hours, motion 10 (f) on the agenda would be taken at the next meeting of full council.)

The meeting was closed.

LORD MAYOR



Committee Name: Council

Committee Date: 25/01/2022

Report Title: Appointment of External Auditors

Portfolio:	Councillor Kendrick, cabinet member for resources
Report from:	Executive director of corporate and commercial services (S151 officer)
Wards:	All wards
OPEN PUBLIC ITEM	

Purpose

This report sets out proposals for appointing the external auditor to the council for the accounts for the five-year period from 2023/24.

Recommendation:

To accept Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

Policy Framework

The Council has three corporate priorities, which are:

- People living well
- Great neighbourhoods, housing and environment
- Inclusive economy

This report meets all the corporate priorities

This report addresses healthy organisation strategic action in the Corporate Plan

Report Details

Procurement of External Audit for the period 2023/24 to 2027/28

1. Under the Local Government Audit & Accountability Act 2014 (“the Act”), the council is required to appoint an auditor to audit its accounts for each financial year. The council has three options;
 - (a) To appoint its own auditor, which requires it to follow the procedure set out in the Act.
 - (b) To act jointly with other authorities to procure an auditor following the procedures in the Act.
 - (c) To opt-in to the national auditor appointment scheme administered by a body designated by the Secretary of State as the ‘appointing person’. The body currently designated for this role is Public Sector Audit Appointments Limited (PSAA).
2. In order to opt-in to the national scheme, a council must make a decision at a meeting of the Full Council.
3. On 23 November 2021, the Audit Committee considered the proposal and endorsed the officer recommendation that the authority accepts the Public Sector Audit Appointments’ invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023 (option (c) above) and therefore recommends it to Council for approval. The committee considered that this option represented the best deal for the council and value for money.

The Appointed Auditor

4. The auditor appointed at the end of the procurement process will undertake the statutory audit of accounts and Best Value assessment of the council in each financial year, in accordance with all relevant codes of practice and guidance. The appointed auditor is also responsible for investigating questions raised by electors and has powers and responsibilities in relation to Public Interest Reports and statutory recommendations.
5. The auditor must act independently of the council and the main purpose of the procurement legislation is to ensure that the appointed auditor is sufficiently qualified and independent.
6. The auditor must be registered to undertake local audits by the Financial Reporting Council (FRC) and employ authorised Key Audit Partners to oversee the work. As the report below sets out there is a currently a shortage of registered firms and Key Audit Partners.

7. Auditors are regulated by the FRC, which will be replaced by a new body with wider powers, the Audit, Reporting and Governance Authority (ARGA) during the course of the next audit contract.
8. Councils therefore have very limited influence over the nature of the audit services they are procuring, the nature and quality of which are determined or overseen by third parties.

Appointment by the council/Authority itself or jointly

9. The council may elect to appoint its own external auditor under the Act, which would require the council to:
 - (a) Establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council/Authority itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council/Authority's external audit.
 - (b) Manage the contract for its duration, overseen by the Auditor Panel.
10. Alternatively, the Act enables the council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each council under the Act and the council would need to liaise with other local authorities to assess the appetite for such an arrangement.

The national auditor appointment scheme

11. PSAA is specified as the 'appointing person' for principal local government under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015. PSAA let five-year audit services contracts in 2017 for the first appointing period, covering audits of the accounts from 2018/19 to 2022/23. It is now undertaking the work needed to invite eligible bodies to opt in for the next appointing period, from the 2023/24 audit onwards, and to complete a procurement for audit services. PSAA is a not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members.
12. In summary the national opt-in scheme provides the following:
 - (a) the appointment of a suitably qualified audit firm to conduct audits for each of the five financial years commencing 1 April 2023;

- (b) appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints;
- (c) managing the procurement process to ensure both quality and price criteria are satisfied. PSAA has sought views from the sector to help inform its detailed procurement strategy;
- (d) ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period;
- (e) minimising the scheme management costs and returning any surpluses to scheme members;
- (f) consulting with authorities on auditor appointments, giving the Council/Authority the opportunity to influence which auditor is appointed;
- (g) consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk; and
- (h) ongoing contract and performance management of the contracts once these have been let.

Pressures in the current local audit market and delays in issuing opinions

13. Much has changed in the local audit market since audit contracts were last awarded in 2017. At that time the audit market was relatively stable, there had been few changes in audit requirements, and local audit fees had been reducing over a long period. 98% of those bodies eligible opted into the national scheme and attracted very competitive bids from audit firms. The resulting audit contracts took effect from 1 April 2018.
14. During 2018 a series of financial crises and failures in the private sector led to questioning about the role of auditors and the focus and value of their work. Four independent reviews were commissioned by Government: Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator; the Competition and Markets Authority review of the audit market; Sir Donald Brydon's review of the quality and effectiveness of audit; and Sir Tony Redmond's review of local authority financial reporting and external audit. The recommendations are now under consideration by Government, with the clear implication that significant reforms will follow. A new audit regulator (ARGA) is to be established, and arrangements for system leadership in local audit are to be introduced. Further change will follow as other recommendations are implemented.
15. The Kingman review has led to an urgent drive for the FRC to deliver rapid, measurable improvements in audit quality. This has created a major pressure for audit firms to ensure full compliance with regulatory

requirements and expectations in every audit they undertake. By the time firms were conducting 2018/19 local audits during 2019, the measures they were putting in place to respond to a more focused regulator were clearly visible. To deliver the necessary improvements in audit quality, firms were requiring their audit teams to undertake additional work to gain deeper levels of assurance. However, additional work requires more time, posing a threat to the firms' ability to complete all their audits by the target date for publication of audited accounts. Delayed opinions are not the only consequence of the FRC's drive to improve audit quality. Additional audit work must also be paid for. As a result, many more fee variation claims have been needed than in prior years.

16. This situation has been accentuated by growing auditor recruitment and retention challenges, the complexity of local government financial statements and increasing levels of technical challenges as bodies explore innovative ways of developing new or enhanced income streams to help fund services for local people. These challenges have increased in subsequent audit years, with Covid-19 creating further significant pressure for finance and audit teams.
17. None of these problems is unique to local government audit. Similar challenges have played out in other sectors, where increased fees and disappointing responses to tender invitations have been experienced during the past two years.

The invitation

18. PSAA is now inviting the council to opt in for the second appointing period, for 2023/24 to 2027/28, along with all other eligible authorities. Based on the level of opt-ins it will enter into contracts with appropriately qualified audit firms and appoint a suitable firm to be the Council's/Authority's auditor. Details relating to PSAA's invitation are provided in Appendix 1.

The next audit procurement

19. The prices submitted by bidders through the procurement will be the key determinant of the value of audit fees paid by opted-in bodies. PSAA will:
 - (a) seek to encourage realistic fee levels and to benefit from the economies of scale associated with procuring on behalf of a significant number of bodies;
 - (b) continue to pool scheme costs and charge fees to opted-in bodies in accordance with the published fee scale as amended following consultations with scheme members and other interested parties (pooling means that everyone within the scheme will benefit from the prices secured via a competitive procurement process – a key principle of the national collective scheme);

- (c) continue to minimise its own costs, around 4% of scheme costs, and as a not-for-profit company will return any surplus funds to scheme members. In 2019 it returned a total £3.5million to relevant bodies and in 2021 a further £5.6million was returned.
20. PSAA will seek to encourage market sustainability in its procurement. Firms will be able to bid for a variety of differently sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and to reflect realistic market prices in their tenders, informed by the scale fees and the supporting information provided about each audit. Where regulatory changes are in train which affect the amount of audit work suppliers must undertake, firms will be informed as to which developments should be priced into their bids.
21. The scope of a local audit is fixed. It is determined by the Code of Audit Practice (currently published by the National Audit Office¹), the format of the financial statements (specified by CIPFA/LASAAC) and the application of auditing standards regulated by the FRC. These factors apply to all local audits irrespective of whether an eligible body decides to opt into PSAA's national scheme or chooses to make its own separate arrangements. The requirements are mandatory; they shape the work auditors undertake and have a bearing on the actual fees required.
22. There are currently nine audit providers eligible to audit local authorities and other relevant bodies under local audit legislation. This means that a local procurement exercise would seek tenders from the same firms as the national procurement exercise, subject to the need to manage any local independence issues. Local firms cannot be invited to bid. Local procurements must deliver the same audit scope and requirements as a national procurement, reflecting the auditor's statutory responsibilities.

Assessment of options and officer recommendation

23. If the council did not opt in there would be a need to establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the council itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council/Authority's external audit.
24. Alternatively, the Act enables the council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would

¹ MHCLG's Spring statement proposes that overarching responsibility for Code will in due course transfer to the system leader, namely ARGAs, the new regulator being established to replace the FRC.

be required on the exact constitution of such a panel having regard to the obligations of each council under the Act and the council would need to liaise with other local authorities to assess the appetite for such an arrangement.

25. These would be more resource-intensive processes to implement for the council, and without the bulk buying power of the sector-led procurement would be likely to result in a more costly service. It would also be more difficult to manage quality and independence requirements through a local appointment process. The council is unable to influence the scope of the audit and the regulatory regime inhibits the council's ability to affect quality.
26. The council and its auditor panel would need to maintain ongoing oversight of the contract. Local contract management cannot, however, influence the scope or delivery of an audit.
27. The national offer provides the appointment of an independent auditor with limited administrative cost to the council. By joining the scheme, the council would be acting with other councils to optimise the opportunity to influence the market that a national procurement provides.
28. The recommended approach is therefore to opt in to the national auditor appointment scheme.

The way forward

29. Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by a meeting of the Council/Authority (meeting as a whole), except where the authority is a corporation sole.
30. The Council/Authority then needs to respond formally to PSAA's invitation in the form specified by PSAA by the close of the opt-in period (11 March 2022).
31. PSAA will commence the formal procurement process in early February 2022. It expects to award contracts in August 2022 and will then consult with authorities on the appointment of auditors so that it can make appointments by the statutory deadline of 31 December 2022.

Consultation

32. Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by a meeting of the council (meeting as a whole).
33. The purpose of this report is to enable Audit Committee members to review the proposals prior to its presentation to Cabinet and then Full Council for approval.

Implications

Financial and Resources

34. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2019-22 and Budget.
35. There is a risk that current external audit fee levels could increase when the current contracts end. It is clear that the scope of audit has increased, requiring more audit work. There are also concerns about capacity and sustainability in the local audit market.
36. Under the current arrangements, PSAA annually set a scale for each authority. The external auditors are then able to submit fee variation proposals which are reviewed and assessed by PSAA to arrive at an approved total fee. The council's scale fee set by PSAA for the 2019/20 external audit was £61,534, although following a fee variation, PSAA confirmed the total fee for 2019/20 was £105,244.
37. Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering into a large-scale collective procurement arrangement.
38. If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement.
39. Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees from 2023/24.

Legal

40. Section 7 of the Local Audit and Accountability Act 2014 requires a relevant council to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.
41. Section 8 governs the procedure for appointment including that the council must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant council is operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the council under those arrangements.
42. Section 12 makes provision for the failure to appoint a local auditor. The council must immediately inform the Secretary of State, who may direct the council to appoint the auditor named in the direction or appoint a local auditor on behalf of the council.
43. Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person)

Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a sector-led body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.

Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	No direct implications.
Health, Social and Economic Impact	No direct implications.
Crime and Disorder	No direct implications.
Children and Adults Safeguarding	No direct implications.
Environmental Impact	No direct implications.

Risk Management

44. The principal risks are that the Council/Authority:

(a) fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation; or

(b) does not achieve value for money in the appointment process.

45. These risks are considered best mitigated by opting into the sector-led approach through PSAA.

Other Options Considered

46. The alternative options available and an assessment of these are contained within the report.

Reasons for the decision/recommendation

47. A decision is needed to ensure the Council can meet its requirements under the Local Government Audit & Accountability Act 2014 ("the Act") to appoint an auditor to audit its accounts for each financial year.

Background papers:

None

Appendices:

Appendix 1 – PSAA Prospectus

Contact Officer:

Name: Hannah Simpson

Telephone number: 01603 989569

Email address: hannahsimpson@norwich.gov.uk

PROSPECTUS

The national scheme for local auditor appointments

All eligible bodies

September 2021

www.psaa.co.uk

About PSAA

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

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

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Introduction

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

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

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

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

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

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

Audit does matter

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

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

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

James Jamieson. Chairman of the Local Government Association

Context: changes in the audit market

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

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

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

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

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

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

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

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

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

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

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

Responding to the post-2018 pressures

MHCLG's¹ Spring statement proposes changes to the current arrangements. At the time of writing, a formal consultation on the proposals in the Spring statement is underway and is due to close on 22 September 2021. The significant work to reform audit in the wake of the four independent reviews is underway. Further wide-ranging change is almost certain to occur during the next few years, and is very likely to have an impact during the appointing period that will commence in April 2023. Organisations attempting to procure audit services of an appropriate quality during this period are likely to experience markedly greater challenges than pre-2018.

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

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

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

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

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

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

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

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

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

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

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

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

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

PSAA is well placed to lead the national scheme

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

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

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

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

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

The scope of a local audit is fixed. It is determined by the Code of Audit Practice (currently published by the NAO²), the format of the financial statements (specified by CIPFA/LASAAC) and the application of auditing standards regulated by the FRC. These factors apply to all local audits irrespective of whether an eligible body decides to opt into PSAA's national scheme or chooses to make its own separate arrangements.

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

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

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

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

PSAA's commitments

PSAA will contract with appropriately qualified suppliers

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

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

PSAA will support market sustainability

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

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

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

PSAA will offer value for money

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

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

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

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

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

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

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

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

Procurement Strategy

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

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

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

Response to consultation feedback

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

Evolution of the Local Audit Framework

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

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

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

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

Minimum Audit Fees

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

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

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

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

Standardised fee variations

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

Approach to social value in the evaluation of tenders

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

Contract Management

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

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

Information and Communication

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

Eligible Principal Bodies in England

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

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

Board Members

Steve Freer (Chairman)

Keith House

Caroline Gardner CBE

Marta Phillips OBE

Stephen Sellers

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

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

Senior Executive Team

Tony Crawley, Chief Executive

Sandy Parbhoo, Chief Finance Officer

Andrew Chappell, Senior Quality Manager

Julie Schofield, Senior Manager Business & Procurement

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

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

Annex - Procurement Options

Our Preferred Option

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

Other Options Considered and Rejected

Option 1

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

Option 2

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

Option 3

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



Committee Name: Council

Committee Date: 25/01/2022

Report Title: Treasury Management Mid-Year Review Report 2021/22

Portfolio: Councillor Kendrick, cabinet member for resources

Report from: Executive director of corporate and commercial services

Wards: All Wards

OPEN PUBLIC ITEM

Purpose

This report sets out the Council's Treasury Management performance for the first six months of the financial year to 30 September 2021.

It also highlights proposed changes to the Treasury Management Code of Practice and associated guidance currently being consulted on, which are expected to have an impact on future reporting requirements and approaches to aspects of the Council's Treasury Management operations.

Recommendation:

Council is asked to:

1. Note the contents of the report and in particular the treasury management activity undertaken in the first six months of the 2021/22 financial year.
2. Note the impact of proposed changes to the Treasury Management Code.

Policy Framework

The Council has three corporate priorities, which are:

- People living well
- Great neighbourhoods, housing and environment
- Inclusive economy

This report meets the healthy organisation corporate priority.

This report helps to meet approved Treasury Management Strategy policy of the Council.

Report Details

Background

1. CIPFA (the Chartered Institute of Public Finance & Accountancy) defines treasury management as: “The management of the local authority’s borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
2. This report primarily reviews the council’s treasury management activity during the first six months of the financial year 2021/22 and reports on the prudential indicators as required by CIPFA’s Treasury Management Code of Practice.
3. The original Treasury Management Strategy (TMS) and Prudential Indicators were reported to and approved by Council on 23 February 2021 and, as the original decision-making body, subsequent monitoring reports should also be considered by Full Council.
4. This Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates its treasury management service in compliance with this Code. This requires that the prime objective of treasury management activity is the effective management of risk, and that borrowing activities are undertaken on a prudent, affordable and sustainable basis.
5. CIPFA has recently issued a consultation proposing several changes to the Treasury Management Code and its associated guidance, which in themselves interact closely with a consultation on proposed changes to the Prudential Code for capital finance, governing local authority capital investment and borrowing activities. Both consultations were open until the 16th of November 2021 and the potential implications are covered in the Regulatory Update section of this report.
6. The main thrust of the proposed changes to the prudential code are associated with addressing concerns over the use of borrowing by local authorities for subsequent investment in commercial activities. Changes to the treasury management code strengthen reporting requirements and in particular propose the use of the Liability Benchmark measure in order to inform borrowing decisions.
7. It is anticipated that the final changes to the prudential code for capital finance and the Treasury Management Code of Practice will come into force immediately they are finalised, however they will not apply retrospectively during 2021/22 and it is reported that a ‘soft launch’ will require that local authorities will have regard to the code and its guidance in 2022/23 with full compliance expected from 2023.
8. In future the proposed changes to the prudential code will require Authorities with commercial investments, which have an expected need to borrow, to review the options for exiting their financial investments for commercial purposes in their annual treasury management or investment strategies.

Investment Strategy

9. The TMSS for 2021/22, which includes the Annual Investment Strategy, was approved by the council on 23 February 2021. It sets out the Council’s investment priorities as being:

- Security of capital;
 - Liquidity; and
 - Yield
10. No policy changes have been made to the investment strategy and the Council will therefore, continue to aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity.
11. The Council held £117.160m of investments as at 30 September 2021. Table 1 below shows the movement in investments for the first six months of the year. The main components of the increase between March and September were the receipt of £15m of Towns Fund Grant, additional borrowing of £5m and the repayment of £4m of loans to the Council from NRL; the balance reflects the normal receipt of grants towards the beginning of the year including some additional COVID related grants.
12. The Council continues to consider the broader impact of its investments and a new element of the Treasury Management code will also require consideration of Environmental, Ethical and Governance (ESG) policies in placing future investments. Currently the Council has placed two tranches of £5m in Standard Chartered Bank Sustainable deposit fund; the deposit guarantees that investment is referenced against sustainable assets, both existing and future. The investments are referenced against the United Nations Sustainable Development Goals (SDGs) thus funds are put to work addressing some of the world's biggest long-term threats including, but not limited to, climate change, health, financial inclusion and education.

Table 1

Investments	Actual		Actual
	31-Mar-21	Movement	30-Sep-21
	£000	£000	£000
Short term investments:			
Banks	15,000	10,000	25,000
Building Societies	0	0	0
Local Authorities	15,000	(5,000)	10,000
Cash Equivalents:			
Banks	23,750	8,410	32,160
Non- UK Banks		10,000	10,000
Building Societies		15,000	15,000
Local Authorities	0	0	0
UK Government	0	0	0
Money Market Funds	21,070	3,930	25,000
Total	74,820	42,340	117,160

13. In setting its Treasury Management budgets for 2021/22 the council did not assume any income from investments, reflecting the continuing low and in some cases negative rate environment available for short term investments; so far however, it has proved possible to achieve a return on investments which has resulted in £90,000 of interest being achieved to the end of September.
14. It is anticipated that cash balances will decrease during the second half of the year as Covid-19 business grants being administered by the council will be

paid out and further capital expenditure is incurred. A projection for the remainder of the year suggests that total income for the year of £125,000 may be achievable; interest earned will be apportioned between the General Fund and the HRA.

15. Market rates had fallen since the pandemic across all types of investments and the Debt Management Account Deposit Facility (DMADF) however they are now increasing slightly for longer term investments based on the expectation of interest rate increases in the next financial year. The Council still aims to place surplus cash in investments with the most beneficial return bearing in mind the need to maintain security and liquidity.
16. The Director of Resources (S.151 officer) confirms that all investment transactions undertaken during the first six months of 2021/22 were within the approved limits as laid out in the Annual Investment Strategy.

BALANCE SHEET POSITION

External Borrowing

17. Table 2 below shows that as at 30 September the Council had external borrowing of £224.826m, of which £179.939m relates the Housing Revenue Account (HRA). In the first six months of the year the Council borrowed £5m for a period of 50 years, taking advantage of a drop in interest rates to 1.84%; whilst outside the reporting period a further £10m of borrowing was taken out on 29 October for 50 years at a rate of 1.7%. There is also a repayment of £2.5m debt scheduled for January 2022.

Table 2 shows the current and forecast borrowing position. This position assumes that there will be no further borrowing in the current year, other than the £10m referenced above taken just after the end of September position, which had resulted in an underspend position against the assumed interest payable budget. Cabinet agreed in the quarter 2 performance report to set aside this underspend in support of the 2022/23 budget position. A scheduled repayment of a loan of £2.5m in January gives the revised estimate position.

Table 2

Long Term Borrowing	Actual	Actual	TMSS Forecast	Revised Estimate
	31-Mar-21	30-Sep-21	31-Mar-22	31-Mar-22
	£000	£000	£000	£000
Public Works Loan Board	214,107	219,107	266,904	226,607
Money Market	5,000	5,000	5,000	5,000
3% Stock (Perpetually irredeemable)	499	499	499	499
Other financial intermediaries (Salix)	236	209	183	183
Corporate Bonds and External Mortgages	11	11	11	11
Total	219,853	224,826	272,597	232,300

Future Economic forecasts

18. The Monetary Policy Committee (MPC) voted unanimously in September to leave Bank Rate unchanged at 0.10% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn. At its subsequent meeting on 4th November the MPC voted 7-2 to

again leave Bank Rate unchanged at 0.10% with two members voting for an increase to 0.25%.

19. After the Governor and other MPC members had made speeches prior to the November MPC meeting in which they stressed concerns over inflation, (the Bank is now forecasting inflation to reach 5% in April when the next round of capped gas prices will go up), financial markets had confidently built in an expectation that Bank Rate would go up from 0.10% to 0.25% at the November meeting.
20. The MPC did comment, that Bank Rate would have to go up in the short term. It is, therefore, relatively evenly balanced as to whether Bank rate will be increased in December, February or May. Much will depend on how the statistical releases for the labour market after the end of furlough on 30th September 2021 turn out.
21. Information available at the December MPC meeting will be helpful in forming a picture but will not be conclusive, so this could cause a delay until the February meeting. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would, therefore, need to wait until the May meeting when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation expected around that time. If the statistics show the labour market coping well during the next six months, then it is likely there will be two increases across these three meetings.
22. The latest forecasts by the Bank showed inflation under-shooting the 3 years ahead 2% target (1.95%), based on market expectations of Bank Rate hitting 1% in 2022. This implies that rates don't need to rise to market expectations of 1.0% by the end of next year.
23. The MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement after the MPC meeting in September yet at its August meeting it had emphasised a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was 'sustainably over 2%'. On balance, once this winter is over and world demand for gas reduces - so that gas prices and electricity prices fall back - and once supply shortages of other goods are addressed, the MPC is forecasting that inflation would return to just under the 2% target.
24. **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
 1. Placing the focus on raising Bank Rate as "the active instrument in most circumstances".
 2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
 3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
 4. Once Bank Rate had risen to at least 1%, it would start selling its holdings.

Interest rate forecasts

The Council's treasury advisors, Link Group, have updated their forecast for Bank Rate which now includes five increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%. Table 3 below shows their interest rate forecasts through to March 2025.

Table 3

Link Group Interest Rate View		8.11.21													
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25	
3 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.10	1.10	1.10	1.10	1.10	1.10	
12 month ave earnings	0.50	0.60	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20	1.20	
5 yr PWLB	1.50	1.50	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.80	1.90	1.90	2.00	2.00	
10 yr PWLB	1.80	1.90	1.90	2.00	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.40	
25 yr PWLB	2.10	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70	
50 yr PWLB	1.90	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50	

25. In summary, given the high level of uncertainty prevailing on several different fronts, these forecasts will be kept under close review.

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

PWLB Rates

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

28. The Council may look to arrange forward borrowing facilities should the future borrowing risk rise, or predictions of a significant rate rise is expected. This would enable the Council to lock into borrowing facilities at current low rates and draw down the cash over a period of up to 3 years subject to cash flow demands. It should be noted that some of these facilities may carry brokerage and arrangement fees that will be factored into value for money assessments.

Debt Rescheduling

29. No debt rescheduling was undertaken during the first six months of 2021/22. It is not anticipated that the Council will undertake any rescheduling activity during the remainder of the financial year. However, should borrowing rates fall significantly as a result of Brexit, the Council may consider borrowing to finance its unfinanced borrowing need as well as rescheduling some of its existing debt if this proves cost effective.

Prudential Indicators

30. This part of the report is structured to provide an update on:

- The changes to the Council's capital expenditure plans;
- How these plans are being financed;
- The impact of 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.

Capital Expenditure & Financing

31. The 2021/22 capital programme budgets were approved as part of the budget papers by full Council on 23 February 2021. After this there were approved revisions to the capital budgets to include the 2020/21 capital carry forwards and new capital schemes approved during the year. The current capital programme budget is shown in Table 4 along with the mid-year estimate. A detailed breakdown of capital programme schemes can also be found in the Quarter 2 budget monitoring report.

Table 4

	2021/22 Original Budget	2021/22 Revised Budget	2021/22 Forecast Outturn
	£000	£000	£000
General Fund capital expenditure	20,802	26,195	18,380
General Fund capital loans	0	0	0
HRA	48,839	50,019	37,209
Capital Expenditure	69,641	76,214	55,588
Financed by:			
Capital receipts	21,947	11,201	9,092
Capital grant and contributions	19,621	22,898	15,254
Capital & earmarked reserves	15,464	31,201	23,072
Revenue	11,934	10,073	7,330
Total Resources	68,967	75,373	54,747
Net borrowing need for the year	674	841	841

32. Table 4 shows how the revised capital programme will be financed and shows a small increase in the net borrowing need for the year compared to the figure anticipated when Council approved the Treasury Management Strategy. The reason borrowing need for the year has increased is due to the increase in capital costs associated with the establishment of the council's wholly owned company NCSL as agreed by Cabinet in September 2021.

33. The forecast net lending to the council's wholly owned subsidiary, Norwich Regeneration Limited, has also reduced from the Treasury Management Strategy. During the first 6 months of the year NRL made repayments totalling £4.5m and based on current cash flow projections, a further £4m of repayment

is anticipated before year end. No further loan drawdowns are expected for the company. The consequence of this is that the Council's forecast Capital Financing Requirement (CFR) for 2021/22 shown in Table 5, is lower than initially anticipated.

The Capital Financing Requirement (CFR)

34. Table 5 below shows the Councils CFR, which is the underlying external need to borrow for a capital purpose.

Table 5

	2021/22 Original Estimate	2021/22 Revised Estimate
	£000	£000
Opening General Fund CFR	120,100	122,330
Movement in General Fund CFR	1,200	(9,133)
Closing General Fund CFR	121,300	113,197
<i>Movement in CFR represented by:</i>		
Borrowing need (Project Place capital investment)	674	841
Loan repayment	(55)	(8,555)
Less MRP and other financing adj.	581	(1,419)
Movement in General Fund CFR	1,200	(9,133)
Opening HRA Fund CFR	207,518	207,517
Movement in HRA CFR	0	0
Closing HRA CFR	207,518	207,517
TOTAL CFR	328,818	320,714

Prudential Indicators relating to Borrowing Activity

35. Authorised Limit – This represents the legal limit beyond which borrowing is prohibited and needs to be set and revised by Council. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. The limit represents the CFR (assumed fully funded by borrowing) plus a margin to accommodate any unplanned adverse cash flow movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The authorised limit has not been breached although there has been some additional external borrowing this year; Table 2 above indicates that the estimated level of external borrowing at March 2022 is £232.3m in comparison to the authorised limit in Table 7.

Table 7

Prudential Indicator	2021/22
	£000
Authorised Limit for external debt	358,818

36. Operational Boundary – This indicator is based on the probable external debt during the course of the year; it is set deliberately lower than the authorised limit. This limit acts as an early warning indicator should borrowing be approaching the Authorised Limit. This limit may be breached on occasion under normal circumstances, but sustained or regular breaches should trigger a review of borrowing levels. The operational boundary has not been breached and despite additional borrowing, current external borrowing is well below the Operational Boundary.

Table 8

Prudential Indicator	2021/22
	£000
Operational boundary for external debt	328,818

Borrowing Activity

37. The Authority has continued the prudent approach of utilising internal borrowing to fund its borrowing requirement and reduce external borrowing costs however in the first six months of the year the Council borrowed £5m for a period of 50 years, taking advantage of a drop in interest rates to 1.84%. Although outside the reporting period members will also note that a further £10m was taken in October at 1.7%.

38. Long-term fixed interest rates are currently low but are expected to rise over the five-year treasury management planning period. The Executive Director, Corporate & Commercial Services (S.151 Officer), under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates or opportunities at the time, taking into account the associated risks e.g. counterparty risk, cost of carry and impact on the Medium Term Financial Strategy as well as risk of future interest rate increases.

39. Opportunities for debt restructuring will be continually monitored alongside interest rate forecasts. Action will be taken when the Executive Director, Corporate & Commercial Services (S.151 officer) feels it is most advantageous.

Investment Performance

40. The objectives of the Council's investment strategy are firstly the safeguarding of the repayment of the principal and interest of its investments, and secondly ensuring adequate liquidity. The investment returns being a third objective, consummate to achieving the first two.

41. The Council held £117.160m of financial investments as at 30th September 2021 and the investment profile is shown in Table 1 earlier in this report.

Risk Benchmarking

42. The Investment Strategy for 2021/22 includes the following benchmarks for liquidity and security.

Liquidity

43. The Council has no formal overdraft facility and seeks to maintain liquid short-term deposits of at least £1 million available with a week's notice.

44. Average return on investment at 30 September 2021 was 0.09% against a 7 Day LIBID benchmark average rate of -0.0825% (minus). The weighted time to maturity (WAM) of investments was 42 days compared to 26 days on 30 September 2020. The slight increase in WAM duration reflects the fact that cash has been invested for longer periods whilst still ensuring availability for all cash flow requirements. At 30 September 2021 the Council held £117.160m of cash balances, all of which are invested for periods of less than 364 days. The Executive Director, Corporate & Commercial Services (S.151 officer) can report that liquidity arrangements were adequate during the year to date.

Security

47. The weighted average credit risk of the portfolio at the end of the period was 3.98% (3.26% September 2020). The Council's maximum security risk benchmark for the portfolio at 30 September 2021 was 0.01% which equates to a potential loss of £11,716k on an investment portfolio of £117.160m. This credit risk indicator is lower than the anticipated maximum risk of 0.039% in the Treasury Management Strategy.
48. At 30 September 2021 100% of the investment portfolio was held in low risk specified investments.
49. The Director of Resources (S.151 officer) can report that the investment portfolio was maintained within this overall benchmark during the year to date.

Minimum Revenue Provision Policy

50. The Council is required to approve an MRP Statement in advance of each year. Council approved the 2021/22 on 10 February 2021.

REGULATORY UPDATE

Proposed changes to IFRS 16 Leases and the likely impact for the Local Authority Accounting Code.

51. Although the standard was issued in January 2012, authorities are expected to comply from 1 April 2022. The current classification of leases into operating and finance will no longer apply with the exceptions of leases of 12 months or less and leases of low value. This change will therefore impact the Council's CFR but have no borrowing impact. A lot will depend on the evaluation of contracts and their implications. The potential impacts of the new standard will be covered in the 2022/23 Treasury Management Strategy.

Consultation on the Treasury Management and Prudential Code.

52. On the 21 of September 2021 CIPFA released the second stage of consultation covering both the Treasury Management and Prudential Codes of practice; setting out proposed wording changes and associated explanatory information. There are clear linkages between the proposed changes to the Prudential Code and the Treasury Management code of practice, particularly in relation to commercial investments.
53. The focus of the Prudential Code proposals is to address the risks associated with commercial investments, including property acquisitions, known as debt for yield transactions, following comment from the Public Accounts Committee and National Audit Office reports. CIPFA have set out clearly their views on the appropriateness, or otherwise, of borrowing to enable commercial

investments and have re-affirmed this position in a separate publication issued alongside the consultation documents entitled “Why authorities should not borrow to invest”. This position is summarised below.

54. Firstly, commercial investments are generally in higher risk asset classes. This is likely to mean uncertain and volatile asset prices or income. Commercial property is also relatively illiquid compared with most financial investments and is likely to take several months at least to realise. If the investment goes wrong, the cost falls on public services or the local taxpayer.
55. Secondly, if authorities borrow to invest primarily for financial return, this constitutes 100% debt leverage. The intention is to earn a margin between borrowing costs and investment income, in the expectation that the income will be higher than the costs. If the investment underperforms, it may result in revenue account losses to the authority and/ or a capital loss on redemption. Leveraged investment considerably magnifies these risks, because it also brings borrowing risks such as interest rate risk and refinancing risk.
56. Commercial investments (including commercial property) are not part of cashflow management or prudent treasury risk management, and they do not directly help deliver service outcomes. It is CIPFA’s view that the priority for treasury management is to protect capital rather than to maximise return. The magnified risks of leveraged investments, and the fact that they put public money at unnecessary risk, mean that borrowing in order to invest for the primary purpose of earning a return is not in CIPFA’s view a prudent use of public funds.
57. Commercial investments, referred to as debt for yield, are however, not the same as investments for regeneration purposes which are considered to be an appropriate activity for council’s to engage in to improve their area including conditions for economic growth.

The Prudential Code Changes

58. Norwich City Council currently has £103m of Investment Property on its balance sheet (31 March 2021) and, as it is in a net borrowing position, is directly impacted by the proposed code changes.
59. Despite CIPFA’s stated position, the Code’s statement that authorities ‘must not borrow to invest for the primary purpose of financial return’ is not intended to require the forced sale of existing commercial investments, whether commercial properties or financial investments. Selling these investments and using the proceeds to net down debt does, however, reduce treasury risks and is therefore an option which should be kept under review, especially if new long-term borrowing is being considered.
60. The Code requires that authorities which are net borrowers should review options for exiting their financial investments for commercial purposes in their annual treasury management or investment strategies. The options should include use of the sale proceeds to repay debt or reduce new borrowing requirements. They should not take new borrowing if financial investments for commercial purposes can reasonably be realised, based on a financial appraisal which takes account of financial implications and risk reduction benefits.
61. This enables authorities to weigh the risk reduction benefits of sale against the loss of income and the current sale value of the investments; the code

guidance also makes it clear that where an authority has existing commercial properties, the Code's requirement that an authority must not borrow to invest for the primary purpose of financial return, is not intended to prevent authorities from appropriate capital repair, renewal or updating of existing properties. The Council is impacted by this requirement which will, following an assessment of the detailed requirements following the finalisation of the code changes, be considered and included in the 2022/23 Treasury Management Strategy.

The Treasury Management Code Change

62. The second consultation, relating to changes to the treasury management code including prudential indicators, again reflects the detailed wording changes necessary to implement the principles set out in earlier consultation, alongside a number of other minor wording changes. In the main they support the changes to the prudential code i.e., that debt for yield transactions are to be avoided.
63. The main additional measure introduced is the use of the liability benchmark, maturity indicators a revised indicator for long term treasury management investments and an interest rate exposure indicator.

Liability benchmark – use and interpretation

64. The liability benchmark is a projection of the amount of loan debt outstanding which the authority needs each year into the future, to fund its existing debt liabilities, planned prudential borrowing and other cashflows. This is shown by the gap between the authority's existing loans which are still outstanding at a given future date, and the authority's future need for borrowing
65. If the existing loans portfolio is below the forecast gross loan debt, the authority will need to borrow to meet the shortfall. If the reverse is true, the authority will (based on its current plans) have more debt than it needs, and the excess will have to be invested. When displayed graphically it shows an authority how much it needs to borrow, when, and to what maturities to match its planned borrowing needs.
66. It is considered that the liability benchmark is not just an annual exercise to produce the prudential indicators; it should be used as a tool to enable authorities to identify their new borrowing requirement and the maturities at which new borrowing should be taken to match their future debt requirement and to minimise their treasury risks. It should be a key consideration each time an authority considers long term borrowing, in terms of how much and to what maturity.
67. Refinancing risk, interest rate risk and credit risk can be minimised or reduced by ensuring that the existing loans portfolio shows a profile close to the liability benchmark. In particular, the liability benchmark identifies the maturities needed for new borrowing, in order to match future liabilities.
68. The liability benchmark makes no assumption about the level of future prudential borrowing in as yet unknown capital budgets. This avoids making assumptions which may prove to be wrong; but the main reason is that it enables the benchmark to be compared like-for-like with the existing loans portfolio to identify the future borrowing and investment needs arising from the authority's existing plans.

69. Because the liability benchmark is a long-term forecast of the authority's gross loan debt based on its current capital programme and other forecast cashflow movements, it may therefore be the same figure as the Operational Boundary for loans in the Prudential Code, which is also an estimate of the most likely scenario consistent with the authority's current plans. However, if the authority has borrowed in advance of need (or for whatever reason has more loans outstanding than it currently needs), then its actual loans outstanding and its Operational Boundary will be higher than its liability benchmark. The difference will represent the excess borrowing, resulting in a level of treasury investments in excess of a reasonable allowance for liquidity. In this scenario, the treasury management strategy should explain the reasons for the excess debt and how long that position is expected to last.
70. Officers are currently working with the Council's Treasury advisors to produce an exemplification of Norwich City Council's Liability benchmark based on the balance sheet position at 31 March 2021 and the Capital programme approved in February 2021. It is expected that the Council's Liability Benchmark will be included for the first time in the Council's Prudential indicators for 2022/23.

Other Treasury Management Code Changes

71. CIPFA has also set out several other areas which should be considered and reflected appropriately in authorities Treasury Management strategies and prudential indicators. These are set out in paragraphs 70 to 79.

Maturity Indicator

72. The code revision sets out the need for a maturity indicator which is closely related to the liability benchmark; as the liability benchmark provides the methodology for producing maturity ranges appropriate to the authority's own committed borrowing profile and provides a projection of future debt outstanding around which to set the upper and lower limits for each maturity range.

Long Term Treasury Management Investments

73. The scope of this indicator has been clarified to relate explicitly to the authority's investments for treasury management purposes only. Investments taken or held for service purposes or commercial purposes should not be included in this indicator.
74. Authorities must not borrow more than or in advance of their needs purely to profit from the investment of the extra sums borrowed. Organisations must not borrow earlier than required to meet cashflow needs unless there is a clear business case for doing so and must only do so for the current capital programme, to finance future debt maturities, or to ensure an adequate level of short-term investments to provide liquidity for the organisation.

Interest Rate Exposure Indicator

75. The Code requires each authority to set out its strategy for managing interest rate risks with such indicators as are appropriate. The indicators used should cover at least the forthcoming year and the following two years, in line with other prudential indicators. Authorities may find it helpful to use the measure required for the Financial Statements, which sets out the cost of a 1% increase in interest rates.

76. The liability benchmark chart can readily be used to portray interest rate risk, by splitting existing loans outstanding into its interest risk characteristics, e.g. fixed rate loans, variable rate loans, etc.

Credit risk

77. Authorities are asked to consider credit risk indicators appropriate to themselves. One simple measure which some authorities use is an overall credit score, i.e., the weighted average credit rating of the authority's treasury management investments.

Price risk

78. Authorities are asked to ensure that their reporting of investments which are materially exposed to movements in fair value includes an appropriate measure of price risk and reporting on movements in fair value. Authorities with commercial property portfolios, such as Norwich CC should establish a view of fair value at each year end. This is required in any case for the investment risk indicators and reporting under the Statutory Investment Guidance

Treasury Management Practice (TMP) changes

79. Each authority is required to adopt a number of Treasury Management Practices and the code changes have proposed changes to be made to some of these; some are minor wording changes to clarify or assist in interpretation however, there is now a requirement in TMP1 on counterparty credit risk for an authorities counterparty policy to set out the organisation's policy and practices relating to environmental, social and governance (ESG) investment considerations in relation to those counterparties.
80. The TMP requires an authority to assert that "its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited or investments made. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements. This will set out the organisation's policy and practices relating to environmental, social and governance (ESG) investment considerations."

Training, Knowledge and Skills

81. Revisions to TMP 10 on the training skills and knowledge now requires a knowledge and skills schedule to be maintained for all those involved in Treasury Management functions.

Consultation

82. The report is the outturn position statement to ensure that council are kept informed of treasury activity.

Implications

Financial and Resources

83. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2019-22 and Budget. This report is for information only and there are no proposals in this report that would reduce or increase resources.

Legal

84. The Council must have regard to the provisions of the Treasury Management code of practice when undertaking and reporting on its treasury activities. The requirement for Council to approve its Treasury Management Strategy and to receive reports, on its treasury management performance, are requirements of the Code of Practice.
85. The mid-year report must set out performance against the approved Prudential Indicators and any breaches of them.

Statutory Considerations

Consideration	Details of any implications and proposed measures to address:
Equality and Diversity	None
Health, Social and Economic Impact	None
Crime and Disorder	None
Children and Adults Safeguarding	None
Environmental Impact	<p>Sustainable investment products are an area of growth in the market. These options will be considered where the investments are in line with approved Treasury Management Strategy.</p> <p>Security, liquidity and yield remain the cornerstones of the Treasury Management Strategy, and it is vital that all investments continue to ensure the security of council funds as a priority and remain compatible with the risk appetite of the council and its cash flow requirements.</p>

Risk Management

86. Managing risk is a major part of undertaking the treasury management activity. All the indicators and limits put in place to reduce the level of risk have been adhered to thus reducing the risks to an acceptable level as stated in the Treasury Management Strategy.

Risk	Consequence	Controls Required
Future interest rate changes can offer both opportunity and risk.	Future interest rate changes need to be assessed against the cost of borrowing.	To mitigate the risk, we will continue to work closely with the treasury management advisors to review interest rate forecasts to assess when we would look to borrow.

Other Options Considered

87. No other options to be considered. The report is to inform council of the treasury activity for the period 1 April 2021 to 30 September 2021.

Reasons for the decision/recommendation

88. To ensure Cabinet and Council are kept informed of treasury activity in line with the Financial Regulations.

Background papers: None

Appendices: None

Contact Officer:

Name: Hannah Simpson, Head of finance, audit & risk

Telephone number: 01603 989569

Email address: hannahsimpson@norwich.gov.uk

Motion to: Council

Item 8

25 January 2022

Subject: Drink spiking

Proposer: Councillor Jones

Seconder: Councillor Stutely

“In recent months there has been concern in this city about rising reports of spiking incidents, largely targeting women. We have seen the nationwide ‘Girls Night In’ campaign gaining traction, with Norwich based protests taking place on 26th October. Worryingly, in this same evening, 5 people were spiked by injection. To the 8 November, 49 reports have been received by Norfolk Police – 34 drink spiking and 15 by injection. In response, the Police have engaged extensively with licensees, working with venues on new and extended measures to help keep our young and vulnerable people safe in the city’s late-night economy.

Council **RESOLVES** to:

- 1) Welcome the introduction of more routine searches including the use of detector devices; initiatives such as dedicated welfare officers; safe zones for people that are vulnerable or become unwell; caps for open drink containers, sign-in systems, and improved staff training will all contribute to a safer environment.
- 2) Thank Norfolk Constabulary for continuing to expand their excellent work in this area and increasing resources for further engagement with venues and additional plain clothed patrols in spiking hot spots.
- 3) Call on the Government to increase police funding for the purpose of tackling this character and type of offending which includes spiking in drinks and by injection, sexual assaults in night-time venues and all forms of harassment and discrimination
- 4) Continue working closely with Norfolk Police, Licensees (directly and through business groups such as the Licensing Forum), to support the introduction of new measures that will improve safety in the city’s late-night economy
- 5) Continue to support the work of volunteer organisations such as SOS Bus and Street Presence pastors
- 6) Work closely with partners, including Norwich BID, to raise awareness among all late-night license holders and encourage the widespread adoption of new measures

- 7) Work with relevant partners to incorporate strategies that tackle these new forms of offending behaviour including the potential to develop a night-time safety charter that seeks to eliminate spiking in drinks and by injection, sexual assaults, all forms of harassment and discrimination in our city, and to ensure all visitors and staff get home safely and promote the charter across the city.
- 8) Continue to enforce all four licensing objectives wherever there is confirmed evidence of breaches.

Motion to: Council

25 January 2022

Subject: Honouring the River Wensum and increasing protection of its biodiversity

Proposer: Councillor Galvin

Seconder: Councillor Price

The River Wensum is a rare and special chalk stream river, nationally important and listed as SSSI (Site of Special Scientific Interest) and SAC (Special Area of Conservation): the highest nature designations possible in the UK. With a total of over 100 species of plants, a rich invertebrate fauna and a relatively natural corridor, it is 'probably the best whole river of its type in nature conservation terms' (Natural England SSSI Citation 1993).

Globally, chalk streams are rarer than rainforest. All of the habitats within the SSSI are intrinsically linked. The cold chalk filtered water provides a rare habitat for a rich aquatic world. Rare and vulnerable species include the Desmoulin's whorl snail, white-clawed crayfish, brook lamprey, and bullhead. Sadly, the white-clawed crayfish, classed as under severe threat from invasive populations, now looks like it has been driven out of the river entirely, very recently, by crayfish plague carried by non-native crayfish.

The river supports an incredible list of species from chub, pike and eel to kingfisher and little grebe; from sedge warblers to barn owls. Communities of plants include water lilies and the nationally scarce water dropwort. Invertebrates including molluscs, water beetles and mayflies abound.

This amazing river flows through our city; protecting us from flooding, providing a natural corridor, cooling our air; a living link with our natural and cultural heritage. Yet the Wensum is particularly under threat from abstraction and urbanisation; pollution from agriculture and industry; and invasive species. It suffers from a lack of understanding; we take it for granted. Development of use of the river is welcomed, but the importance of its biodiversity must, especially in view of increased threats, be recognised, protected and enhanced. It is important to pursue a 'whole river' approach to this living part of our cityscape, recognising and linking up and downstream.

Norwich City Council has led the development of the River Wensum Strategy working with the Broads Authority, Norfolk County Council, the Environment Agency and the Wensum River Parkway Partnership, as the River Wensum Strategy a tn ip t con tation t strategy was launched in June 2018 and an updated Delivery Plan was brought to Cabinet in December 2021. This Strategy

focuses on the stretch of the River Wensum corridor from the city council boundary at Hellesdon in the west to Whitlingham Country Park in the east. Other work led by external organisations and groups is ongoing for the area upstream of Hellesdon Mill.

In addition to and working alongside the important actions within the River Wensum Strategy, council **RESOLVES** to:

1. In recognition of its natural and cultural significance and to celebrate and share its importance, investigate whether it is possible to confer any statuses or nominate the river for awards or honours such as freedom of the city in order to actively increase public awareness of its value;
2. Develop its planning policies further to protect biodiversity, mitigate flooding and enhance a wildlife-friendly river frontage;
3. Write to Anglian Water asking for evidence of what is being done to prevent unacceptable levels of human waste in the water from sewage overspill;
4. Work in partnership to:
 - a) develop and deliver a strategy for signage and other interpretation of the river to increase understanding of its importance, and safe and equal access to its amenity;
 - b) ensure that any forthcoming biodiversity plan for the city links with and enhances the river and riparian environments;
 - c) work with an extended set of partners including the Norfolk Rivers Trust and River Wensum Strategy Partnership to make biodiversity a high priority and cross cutting theme of the River Wensum Strategy and seek funding for this;
 - d) check the policies in the River Wensum strategy and actions and projects in the Delivery Plan for their biodiversity implications, including mitigating against invasive species and the effect of bankside works; and
 - e) develop a process for community and other groups along the river to bring forward ideas for the strategy and action plan, including finding sources of funding to carry out this work, and publicise this process.

Motion to: Council

25 January 2022

Subject: 'Robin Hood' tax on oil and gas firms

Proposer: Councillor Wright

Seconder: Councillor Ackroyd

Council **RESOLVES** to

- 1) note the excessive profits being made by oil and gas companies, including the boss of BP describing the company as a “cash machine” after soaring oil and gas prices boosted its profits to £2.4 billion in the third quarter of 2021 alone and that since 2015 the Conservatives have scrapped zero carbon standards for new homes, and failed to insulate the millions of energy efficient homes.
- 2) support calls for a “Robin Hood” tax – a one-off levy on the super-profits of oil and gas firms to raise money to support the thousands of families in Norwich that are facing soaring energy costs which includes:
 - a) A proposed one-off levy to raise an estimated £5 billion from companies that are making record profits from soaring energy prices. This would be used to support vulnerable families facing a 50% increase to their energy bills.
 - b) This “one-off” tax could fund a substantial package of emergency support to help over 17 million people with their heating bills.
 - c) This package of support would include doubling and extending the Warm Home Discount, doubling the Winter Fuel Allowance
 - d) A new ten-year home insulation scheme: This would be spent on reducing people’s energy bills in the long-term through an emergency home insulation programme to upgrade poorly insulated UK homes - including through fully funded grants for those in fuel poverty and on low incomes. This would cost an estimated £500 million in the next year.
- 3) recognises any such one-off tax should be followed by a widespread review to ensure energy companies pay their fair share and ensure that residents of Norwich are not left in fuel poverty as a consequence of excessive profits.
- 4) ask group leaders to write to the Secretary of State for Business, Energy and Industrial Strategy, calling for a one-off tax on excessive profits made by oil and gas companies in order to help vulnerable people, especially those in Norwich, with heating bills and upgrade poorly insulated homes.

