

Open

Overview & Scrutiny Committee

Agenda

6pm
Thursday, 6th November 2014
Council Chamber
Wyre Forest House
Finepoint Way
Kidderminster



Overview & Scrutiny Committee

Members of Committee:

Chairman: Councillor E Davies
Vice-Chairman: Councillor J Phillips

Councillor J Greener	Councillor P V Hayward
Councillor V Higgs	Councillor L Hyde
Councillor T L Onslow	Councillor M Price
Councillor M Rayner	Councillor C Rogers
Councillor A M Sewell	Councillor M J Wrench

Would Members please note that, to ensure continuity in scrutiny, substitutes should only be appointed for the Scrutiny Committee in exceptional circumstances.

Information for Members of the Public:

Part I of the Agenda includes items for discussion in public. You have the right to inspect copies of Minutes and reports on this Agenda as well as the background documents used in the preparation of these reports.

Part II of the Agenda (if applicable) deals with items of "Exempt Information" for which it is anticipated that the public may be excluded from the meeting and neither reports nor background papers are open to public inspection.

Declaration of Interests by Members – interests of members in contracts and other matters

Declarations of Interest are a standard item on every Council and Committee agenda and each Member must provide a full record of their interests in the Public Register.

In addition, alongside the Register of Interest, the Members Code of Conduct ("the Code") requires the Declaration of Interests at meetings. Members have to decide first whether or not they have a disclosable interest in the matter under discussion.

Please see the Members' Code of Conduct as set out in Section 14 of the Council's constitution for full details.

Disclosable Pecuniary Interest (DPI) / Other Disclosable Interest (ODI)

DPI's and ODI's are interests defined in the Code of Conduct that has been adopted by the District.

If you have a DPI (as defined in the Code) in a matter being considered at a meeting of the Council (as defined in the Code), the Council's Standing Orders require you to leave the room where the meeting is held, for the duration of any discussion or voting on that matter.

If you have an ODI (as defined in the Code) you will need to consider whether you need to leave the room during the consideration of the matter.

Co-opted Members

Scrutiny Committees may wish to appoint Co-Opted Members to sit on their committee in order to add value to the scrutiny process. To appoint a Co-Opted Member, a Committee must first agree to appoint either a specific person or to approach a relevant organisation to request that they put forward a suitable representative (e.g. the local Police Authority). Co-Optees are non voting by default but Committees can decide to appoint voting rights to a Co-Optee. The Co-Option of the Member will last no longer than the remainder of the municipal year.

Scrutiny Committees can at any meeting agree to terminate the Co-Option of a Co-Opted Member with immediate effect. Where an organisation is appointed to put forward a Co-Opted Member, they are able to send a substitute in exceptional circumstances, provided that they notify Democratic Services in advance. Co-Opted Members must sign up to the Members Code of Conduct before attending their first meeting, failure to sign will mean that they are unable to participate. This also applies to substitute Co-Opted Members, who will need to allow sufficient time before a meeting in order to sign the Code of Conduct.

The following will apply:

- i) The total number of voting co-opted members on any Scrutiny Committee will not exceed 25% at any one time.
- ii) The total number of voting Co-opted Members on any Review Panel will not be limited.
- iii) Those Co-opted Members with voting rights will exercise their rights in accordance with the principles of decision making set out in the constitution.

For Further information:

If you have any queries about this Agenda or require any details of background papers, further documents or information, you should contact Louisa Bright, Committee and Member Services Officer, Wyre Forest House, Finepoint Way, Kidderminster, DY11 7WF. Telephone: 01562 732763 or email louisa.bright@wyreforestdc.gov.uk

Wyre Forest District Council

Overview & Scrutiny Committee

Thursday, 6th November 2014

Council Chamber, Wyre Forest House, Finepoint Way, Kidderminster

Part 1 - Open to the press and public

Agenda item	Subject	Page Number
1.	Apologies for Absence	
2.	Appointment of Substitute Members To receive the name of any Councillor who is to act as a substitute, notice of which has been given to the Solicitor of the Council, together with the name of the Councillor for whom he/she is acting.	
3.	Declarations of Interests by Members In accordance with the Code of Conduct, to invite Members to declare the existence and nature of any Disclosable Pecuniary Interests (DPI's) and / or Other Disclosable Interests (ODI's) in the following agenda items and indicate the action that they will be taking when the item is considered. Please see the Members' Code of Conduct as set out in Section 14 of the Council's Constitution for full details.	
4.	Minutes To confirm as a correct record the Minutes of the meeting held on the 9th October 2014.	6
5.	How Are We Doing? Performance Update To consider a report from the Business Improvement Officer which updates Members on the performance of the Council for Quarter 2 (from 1st July 2014 to 30th September 2014).	8
6.	Recommendations from the Treasury Management Review Panel: Consideration of Treasury Management Strategy Statement and Annual Investment Strategy Mid-year Review Report 2014/15 To consider a report from the Chief Financial Officer which provides Members with a mid-year review of the Council's treasury management policies, practices and activities in accordance with the revised CIPFA Treasury Management Code of Practice. .	42

7.	Joint Worcestershire Regulatory Services (WRS) Task Group Final Report To receive a summary of the decision made in respect of the recommendations from the Joint WRS Task Group.	62
8.	Work Programme To review the work programme for the current municipal year with regard to the Sustainable Community Strategy Theme, Corporate Plan Priority, Annual Priorities and the Forward Plan.	66
9.	Press Involvement To consider any future items for scrutiny that might require publicity.	
10.	To consider any other business, details of which have been communicated to the Solicitor of the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.	
11.	Exclusion of the Press and Public To consider passing the following resolution: “That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting during the consideration of the following item of business on the grounds that it involves the likely disclosure of “exempt information” as defined in paragraph 3 of Part 1 of Schedule 12A to the Act”.	

Part 2 - Not open to the Press and Public

12.	To consider any other business, details of which have been communicated to the Solicitor of the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.	
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WYRE FOREST DISTRICT COUNCIL

OVERVIEW & SCRUTINY COMMITTEE

COUNCIL CHAMBER, WYRE FOREST HOUSE, FINEPOINT WAY, KIDDERMINSTER

THURSDAY, 9TH OCTOBER 2014 (6PM)

Present:

Councillors: E Davies (Chairman), J Phillips (Vice-Chairman), J Greener, P V Hayward, V Higgs, B McFarland, T L Onslow, M Rayner, C Rogers, J A Shaw and M J Wrench.

Observers

Councillors J-P Campion, A R Clent, M J Hart, A T Hingley, M B Kelly and M J Stooke.

OS.35 Apologies for Absence

Apologies for absence were received from Councillors L Hyde, M Price and A M Sewell.

OS.36 Appointment of Substitutes

Councillor B McFarland was appointed as a substitute for Councillor A M Sewell. Councillor J A Shaw was appointed as a substitute for Councillor L Hyde.

OS.37 Declarations of Interests by Members

No declarations of interest were made.

OS.38 Minutes

Decision: The minutes of the meeting held on 10th September 2014 be confirmed as a correct record and signed by the Chairman.

OS.39 Design Supplementary Planning Document - Consultation Draft

The Committee considered a report from the Policy and Monitoring Officer which provided an update on the Design Guidance Supplementary Planning Document (SPD) Early Engagement consultation and presented a summary of responses. The report also outlined the content of the Draft Design Guidance SPD.

Members received a comprehensive power point presentation that summarised the document, which had been fully scrutinised by the Local Plans Review Panel in September 2014. Members agreed the document was well written and easy to understand and welcomed further emphasis on the use of green technology.

Agreed: Recommend to Cabinet:

That the Design Guidance SPD Consultation Draft as attached at Appendix 2, to the report of the Overview and Scrutiny Committee, be approved for public consultation at the end of October for six weeks.

OS.40 Feedback from Cabinet

Agreed: The content of Cabinet action list, following consideration of the recommendations from its meeting on 16th September 2014 be noted.

OS.41 Work Programme

Agreed: The work programme be noted.

OS.42 Press Involvement

There were no future items for scrutiny that might require publicity.

OS.43 Exempt Information

Decision: Under Section 100A(4) of the Local Government Act, 1972 the press and public be excluded from the meeting during the consideration of the following items of business on the grounds that they involve the likely disclosure of “Exempt Information” as defined in paragraphs 2, 6 and 7 of Part I of Schedule 12A of the Act.

OS.44 New Leisure Centre Update

The Committee received a report from the Cultural Services Manager which summarised the progress made on the project.

The Cultural Services Manager led Members through the exempt report and the following points were highlighted:

- Tenders had been received on Friday 19th September 2014 and were in the process of being evaluated in accordance with the evaluation model.
- Following the evaluation process, reports would be prepared for Sport England to take the application to their Board Meeting on 3rd November 2014.
- Work continued on the options for potential bus routes to service the new leisure centre.

Members discussed the update and agreed it would be beneficial to receive a presentation of the design of the new leisure centre from the successful tenderer. The Chairman announced a Special Meeting of the Committee would be held and all Members of the Council would be invited to attend.

Agreed:

- **The Update be noted.**
- **A Special Meeting of the Overview and Scrutiny Committee to be held to receive a presentation of the design from the successful tenderer. All Members of the Council to be invited to attend.**

There being no further business, the meeting ended at 7.03pm.



Overview & Scrutiny Committee

Briefing Paper

Report of: Rhiannon Foxall, Business Improvement Officer
Date: Thursday 6th November
Open

How Are We Doing? Performance Update

1. Summary

- 1.1 To update Members on the performance of the Council for Quarter 2 (from 1st July 2014 to 30th September 2014).

2. Background

- 2.1 Performance management is instrumental in all council activities as it helps us to keep track of how well we are performing and enables any potential issues to be identified at an early stage so remedial action can be taken. It also informs our decision making processes which underpin the delivery of our Corporate Plan 2014-19.
- 2.2 The Council has a number of processes in place to monitor our performance including:
- Corporate Plan Actions
 - Corporate Risks and associated actions
 - Leading Measures
 - Lagging Measures

3. Progress

- 3.1 **Appendix 1** is an exception report for all of our purposes (People, Place, Housing, Planning, Business, Enabling)
- 3.2 **Appendix 2** is a detailed report of performance against our purpose of 'People'.
- 3.3 **Appendix 3** is a detailed report of performance against our purpose of 'Business'.

4. Key Achievements/Issues

- 4.1 Any overdue items are listed in Appendix 1. However, for many of these, the delays have clear reasons and revised timescales are identified. At this stage, none of the projects seem significantly adrift or unlikely to be completed.

- 4.2 A key achievement to note is the support given to local businesses through business start up and business booster grants. In 2013/14 £16,750.67 was issued in Business Start Up Grants – over double the amount issued last year. £7,878.79 was issued in Business Booster Grants which is only slightly under the amount issued last year. The businesses that grants are issued to are tracked to monitor their survival rates over 6, 12 and 18 months, the results of which can be found in Appendix 3.
- 4.3 The number of occupants in the SPACE building has also steadily increased each month since the official opening on the 27th November last year. We now have 14 businesses enjoying the benefits of this innovative building.
- 4.4 The number of followers on social media is increasing each month and we now have 2,392 followers. This is good news as it opens up more channels in which we can communicate with our customers.
- 4.5 Our Participation rates in attending Healthy Living events and training has almost doubled from last year. In 2012/13 there were 350 attendees and in 2013/14 there were 587.

5. Options

- 5.1 That the progress in performance for quarter 2 be noted.

6. Consultation

- 6.1 Cabinet Member for Strategy
- 6.2 Corporate Leadership Team

7. Related Decisions

- 7.1 None.

8. Relevant Council Policies/Strategies

- 8.1 Wyre Forest District Council Corporate Plan 2014 – 2019.
- 8.2 Wyre Forest Forward Transformation Framework 2014 – 2017.

9. Implications

- 9.1 Resources: No direct implications from this report.
- 9.2 Equalities: No direct implications from this report.
- 9.3 Partnership working: No direct implications from this report.
- 9.4 Human Rights: No direct implications from this report.
- 9.5 E-Government: No direct implications from this report.

10. Equality Impact Needs Assessment

- 10.1 An equality impact assessment has been undertaken and it is considered that there are no discernible impacts on the nine protected characteristics as set out by the Equality Act 2010.

11. Wards affected

- 11.1 None.

12. Appendices

- 12.1 Appendix 1 – All purposes exception report
12.2 Appendix 2 – Full ‘People’ report
12.3 Appendix 3 – Full ‘Business’ report

13. Background Papers

Corporate Plan action information is available on the Council's Performance Management System, Covalent. Alternatively, reports can be requested from the Business Improvement Officer.

Officer Contact Details:

Name: Rhiannon Foxall
Title: Business Improvement Officer
Telephone Number: 01562 73 2786
Email: rhiannon.foxall@wyreforestdc.gov.uk

Exception report for all purposes

Those actions that are approaching their due date or are overdue



Enabling others to do what they need to do

WFF 14/15 05

Wyre Forest House

50%



Due Date	Managed By	Latest Note	Latest Note Date
31-Mar-2014	Ian Miller	Works being undertaken to improve heating system, expected implementation January 2015. Still awaiting programme of works for car park.	21-Oct-2014

WFF 14/15 10

Shared Services Review

95%



Due Date	Managed By	Latest Note	Latest Note Date
31-Mar-2014	Ian Miller	2014/15 savings achieved in full for Revenues, Benefits and Hub. Consultancy income being achieved for ICT support for Redditch and Bromsgrove.	21-Oct-2014

WFF 14/15 51

Implementation of CHRIS21 HR System

50%



Due Date	Managed By	Latest Note	Latest Note Date
30-Sep-2014	Tracey Southall	Parallel run is underway and mandatory training for all staff has commenced.	13-Oct-2014

Ensure that there are good things for me to do, see and visit

WFF 14/15 41

Transfer of playing pitches

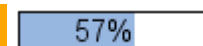


Due Date	Managed By	Latest Note	Latest Note Date
30-Sep-2014	Kay Higman	Leases have been agreed and transfer on target. Press release issued and users have taken over management and maintenance of pitches.	29-Sep-2014

Improve my local area

WFF 14/15 19

Kidderminster Town Centre Public Realm Framework

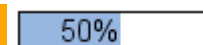


Due Date	Managed By	Latest Note	Latest Note Date
31-Mar-2015	Mike Parker	Specification finalised and ready to go out to tender.	14-Oct-2014

Make good development happen

WFF 14/15 15

Bewdley Medical Centre



Due Date	Managed By	Latest Note	Latest Note Date
31-Dec-2015	Mike Parker	Director EPP and Operational Manager meeting 16th October to finalise car parking implementation programme. On course for new car parking to be in place in advance of work starting on new medical centre. In principle agreement reached between WFDC and NHS England regarding land transfer; final details to be incorporated in legal agreements.	14-Oct-2014

WFF 14/15 16

Crown House

80%








Due Date	Managed By	Latest Note	Latest Note Date
31-Dec-2014	Mike Parker	Proposed September meeting cancelled, next meeting 24th October to finalise Heads of Terms for Development Agreement.	14-Oct-2014

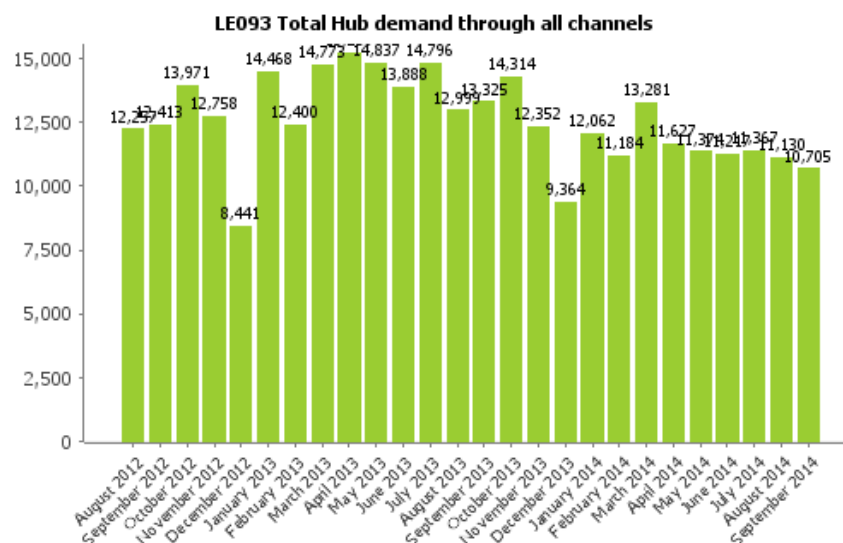
Provide me with information that I need

Progress on the purpose 'provide me with the information that I need'



Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed

LE093 Total Hub demand through all channels



Current Value 10,705

Managed By Lucy Wright

Listed below are primary actions for other purposes but also impact on this purpose

Listed below are primary measures for other purposes but also impact on this purpose

LA045	Number of people presenting themselves in need of housing advice
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LE030	Number of followers on social media
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LE030a	Number of followers on Facebook
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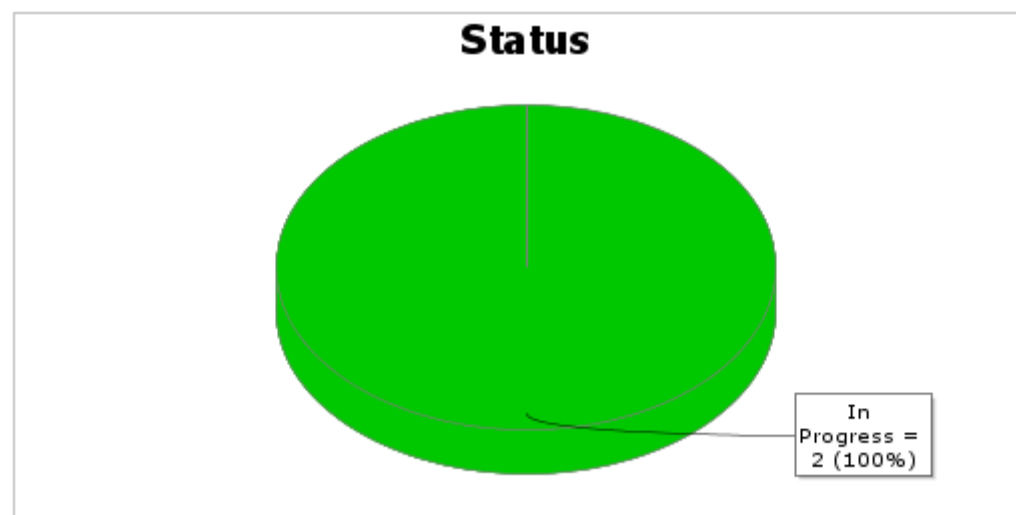
LE030b	Number of followers on Twitter
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LE091	Number of requests for adaptations
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Give me a voice

Progress on the purpose of 'give me a voice'

Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed



Due Date	Managed By	Latest Note	Latest Note Date
30-Jun-2015	Alison Braithwaite	AB: IER Canvass is ongoing. It is anticipated that 95% of the electorate will be successfully registered under IER by the time the new register is published on 1st December 2014.	07-Oct-2014

WFF 14/15 48

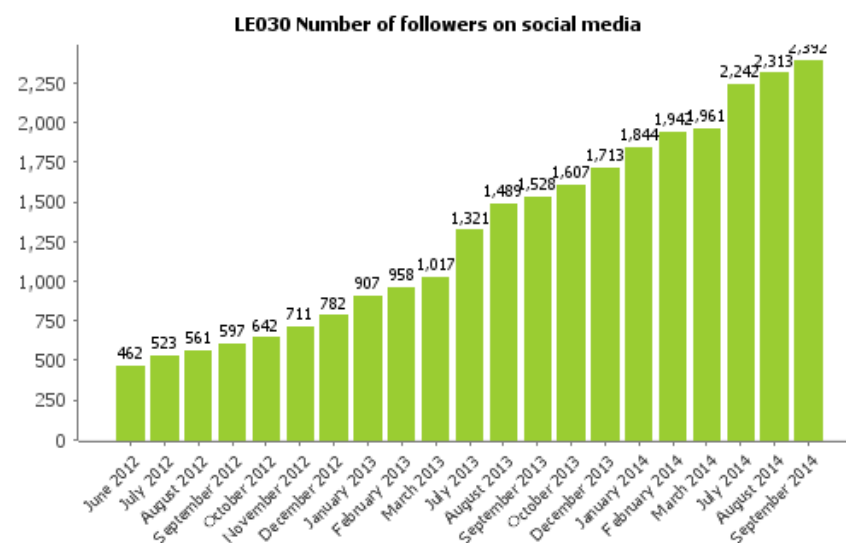
Kidderminster options

33%



Due Date	Managed By	Latest Note	Latest Note Date
31-May-2015	Ian Miller		

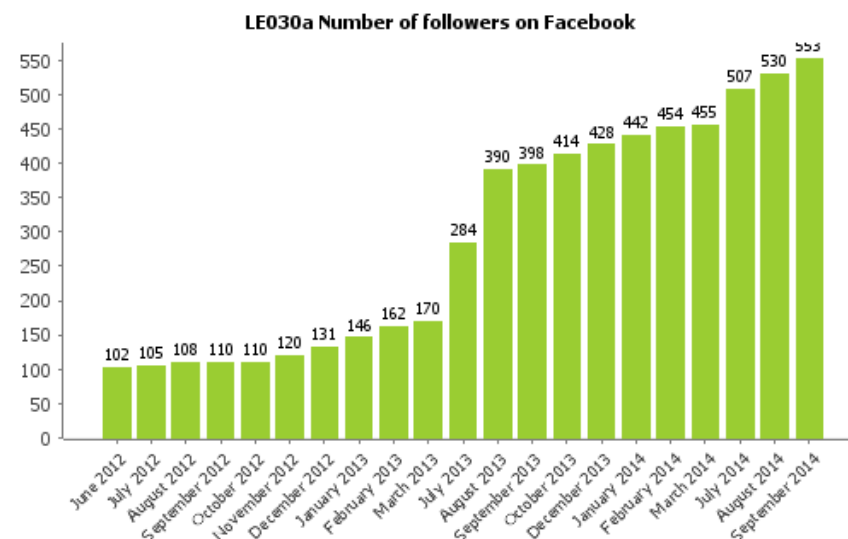
LE030 Number of followers on social media



Current Value 2,392

Managed By Lucy Wright

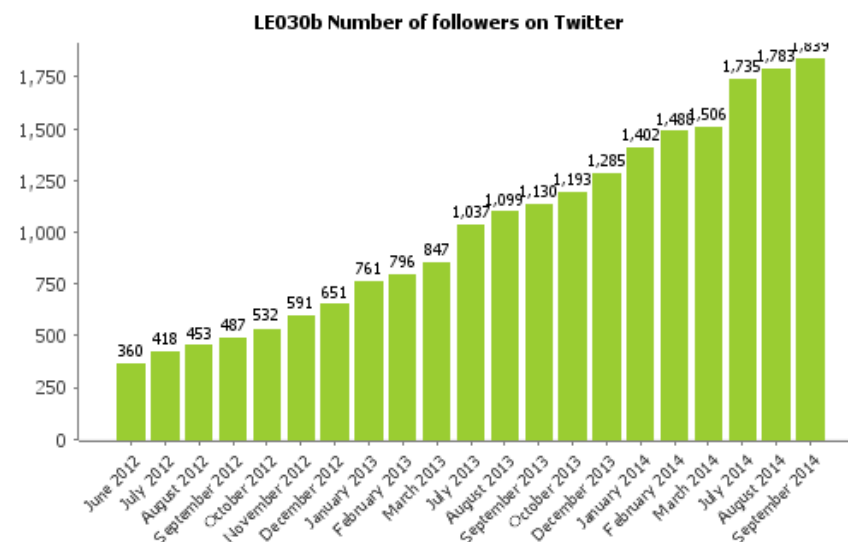
LE030 Number of followers on
a Facebook



Current Value 553

Managed By Lucy Wright

LE030 Number of followers on Twitter
b



Current Value 1,839






Managed By Lucy Wright

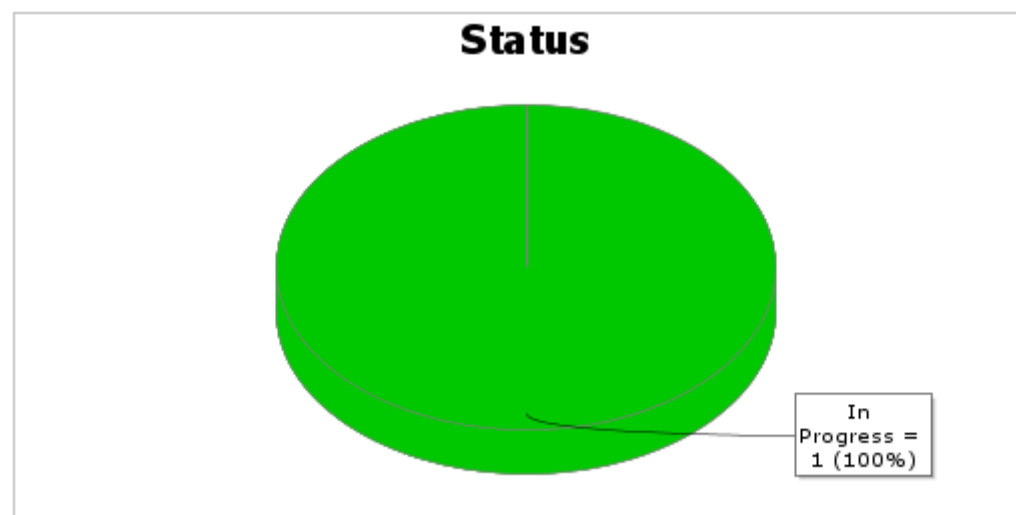
Listed below are primary actions for other purposes but also impact on this purpose

Listed below are primary measures for other purposes but also impact on this purpose

Help me improve my health and well-being

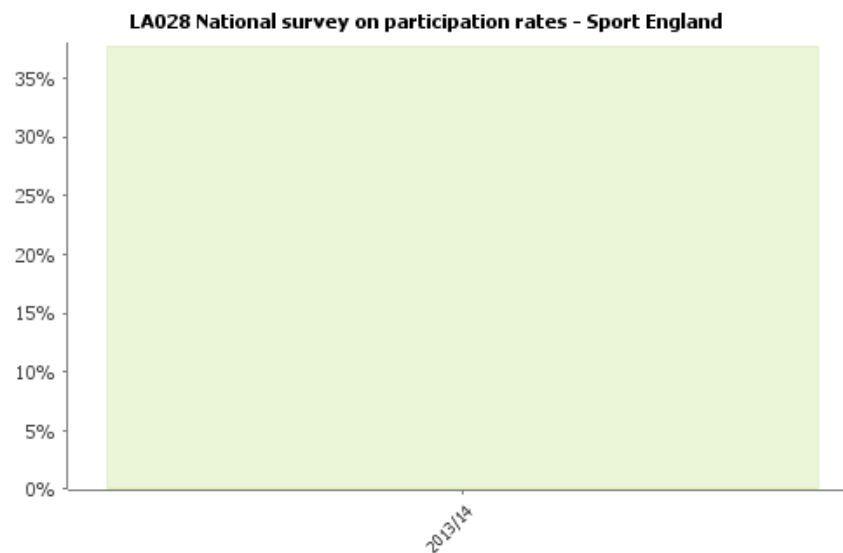
Progress with the purpose 'help me improve my health and well-being'

Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed



Due Date	Managed By	Latest Note	Latest Note Date
31-Jul-2016	Linda Collis	Council agreed amendment to Capital Programme on 24th September 2014.	30-Sep-2014

LA028 National survey on participation rates – Sport England

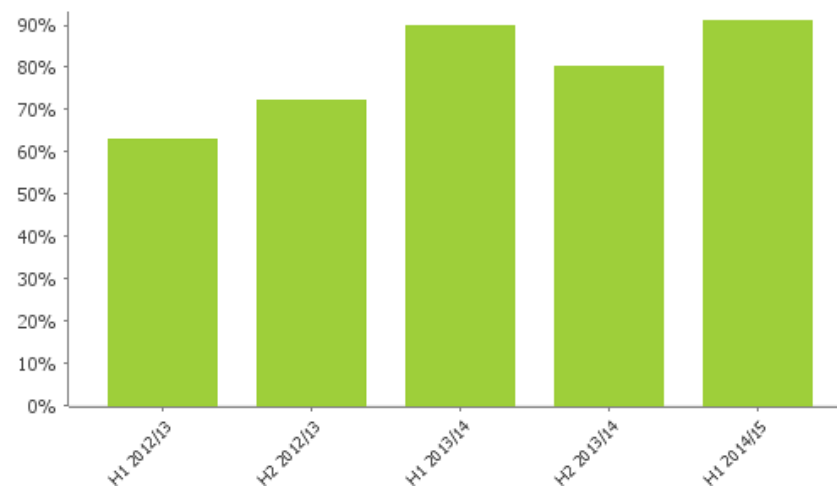


Current Value 37.7%

Managed By Kay Higman

LA029 Percentage of people whose quality of life and sense of wellbeing has improved as a result of Cultural Activities

LA029 Percentage of people whose quality of life and sense of wellbeing has improved as a result of Cultural Activities

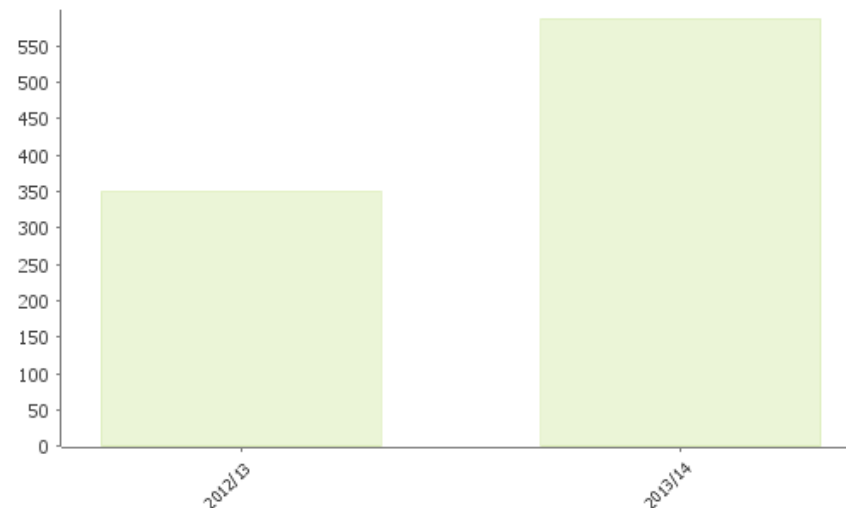


Current Value 91%

Managed By Kay Higman

LA030 Participation rates in attending Healthy Living events and training

LA030 Participation rates in attending Healthy Living events and training

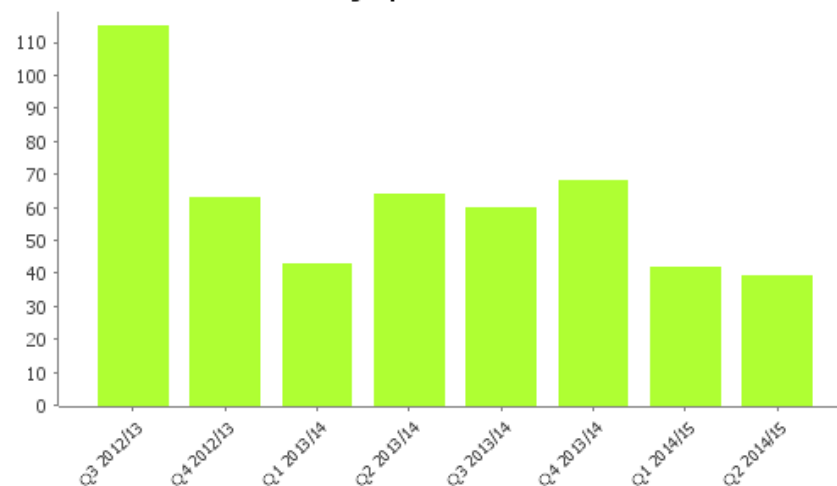


Current Value 587

Managed By Kate Bailey

LA044 Number of residents who experience a positive health outcome as a consequence of a housing improvement intervention

LA044 Number of residents who experience a positive health outcome as a consequence of a housing improvement intervention

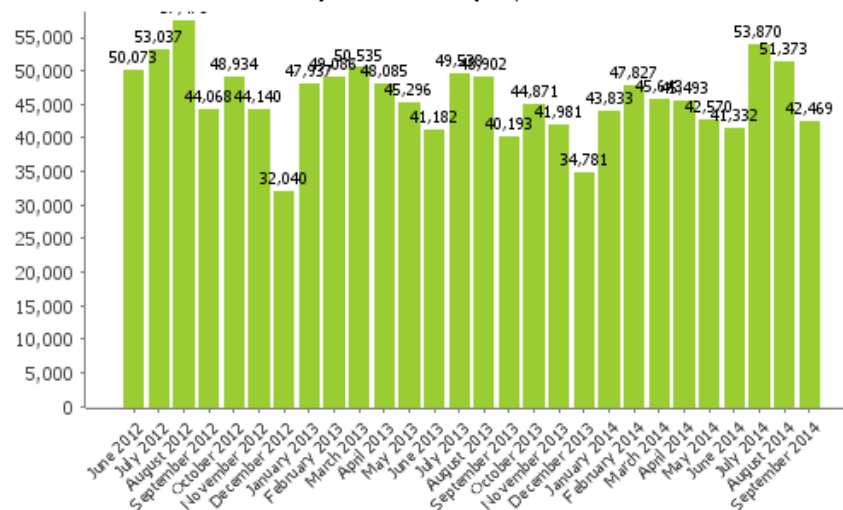


Current Value 39

Managed By Kate Bailey

LE033 Participation rates in sport/leisure facilities

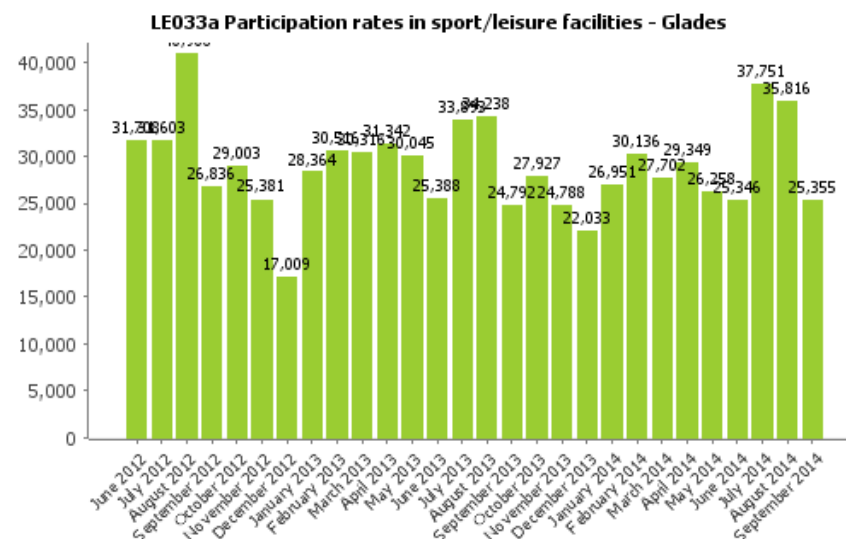
LE033 Participation rates in sport/leisure facilities



Current Value 42,469

Managed By Kay Higman

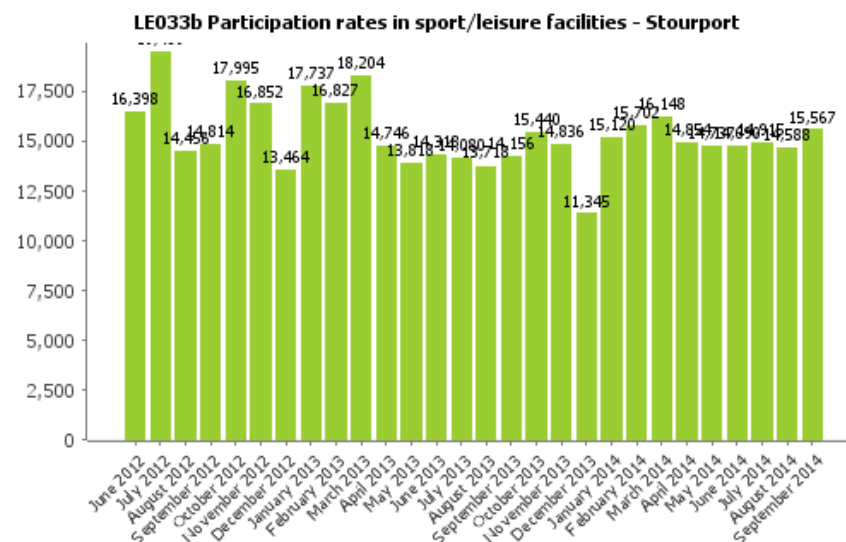
LE033 Participation rates in
a sport/leisure facilities – Glades



Current Value 25,355

Managed By Kay
Higman

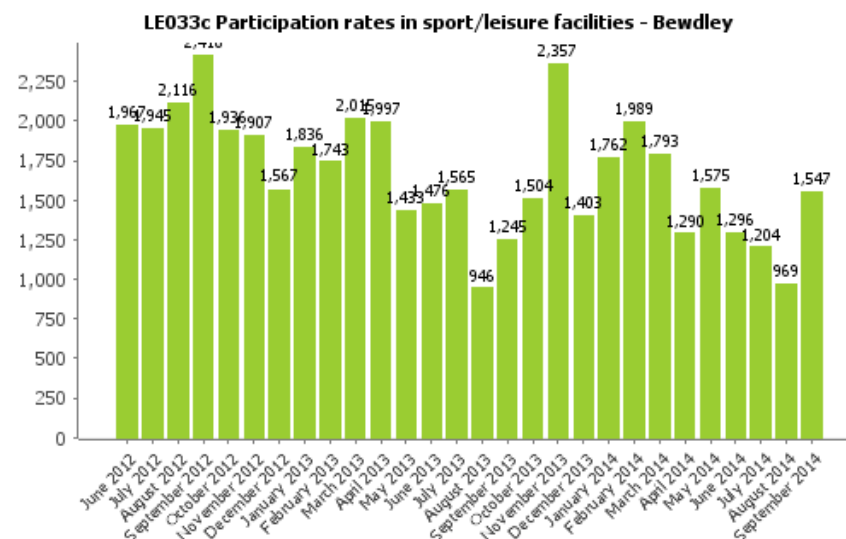
LE033 Participation rates in
b sport/leisure facilities –
Stourport



Current Value 15,567

Managed By Kay
Higman

LE033 Participation rates in
c sport/leisure facilities – Bewdley



Current Value 1,547

Managed By Kay
Higman

Listed below are primary actions for other purposes but also impact on this purpose






WFF 14/15 15

Bewdley Medical Centre

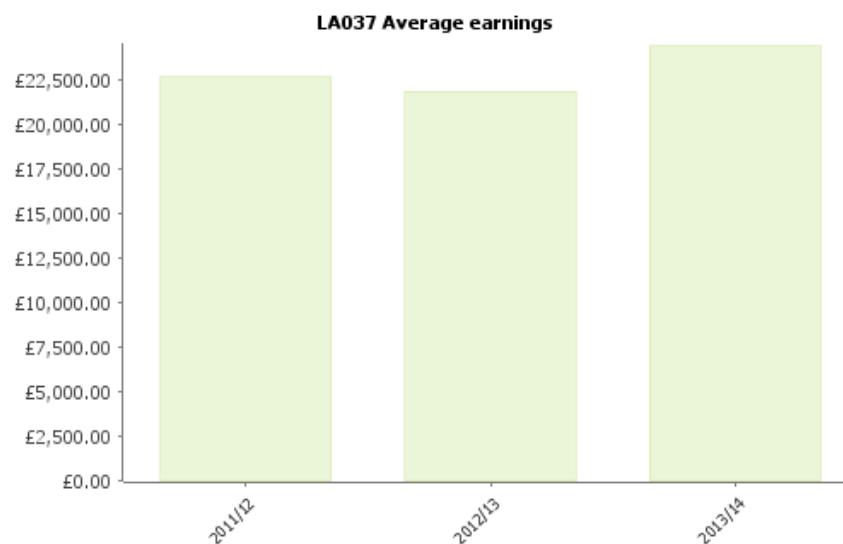
Listed below are primary measures for other purposes but also impact on this purpose

Help me with my financial situation

Progress with the purpose of 'help me with my financial situation'

Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed

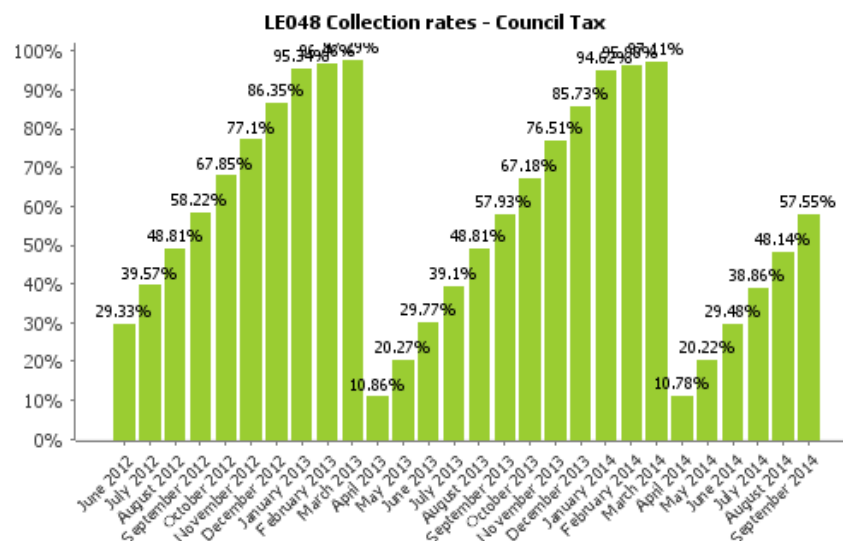
LA037 Average earnings



Current Value £24,424.40

Managed By Kate Bailey

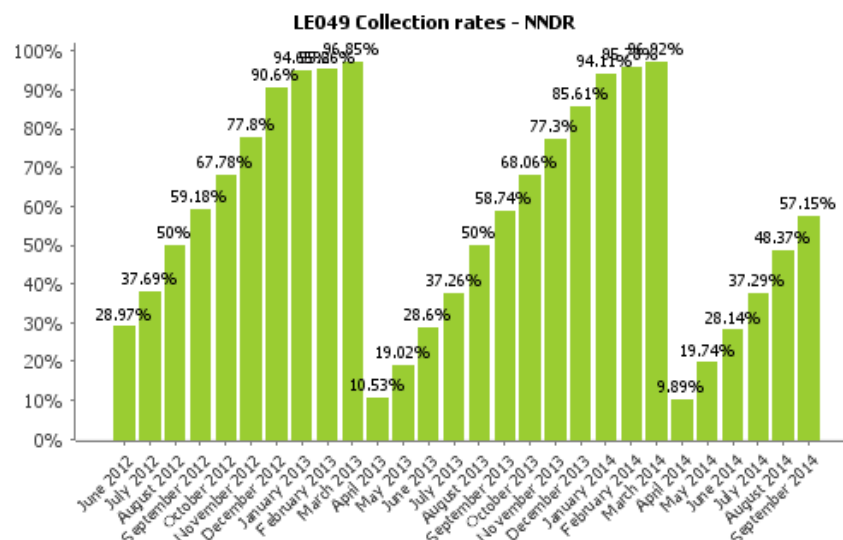
LE048 Collection rates – Council Tax



Current Value 57.55%

Managed By Lucy Wright

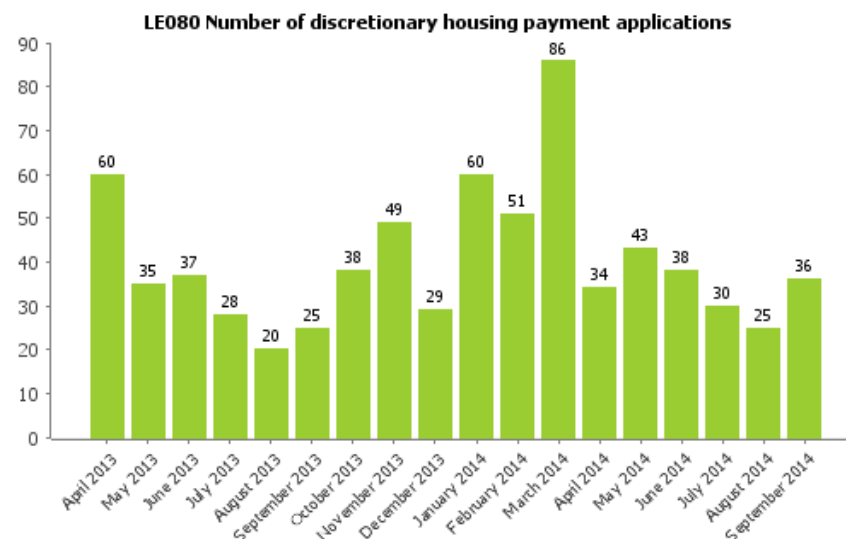
LE049 Collection rates – NNDR



Current Value 57.15%

Managed By Lucy Wright

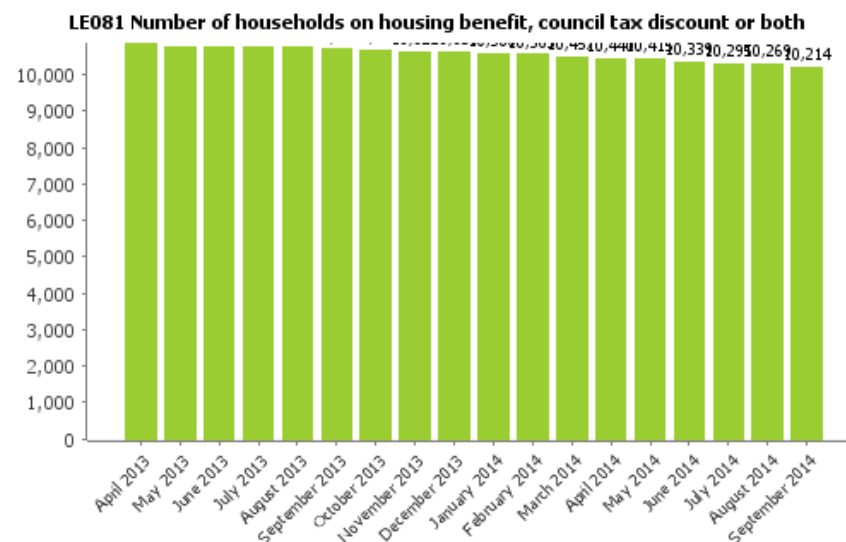
LE080 Number of discretionary housing payment applications



Current Value 36

Managed By Lucy Wright

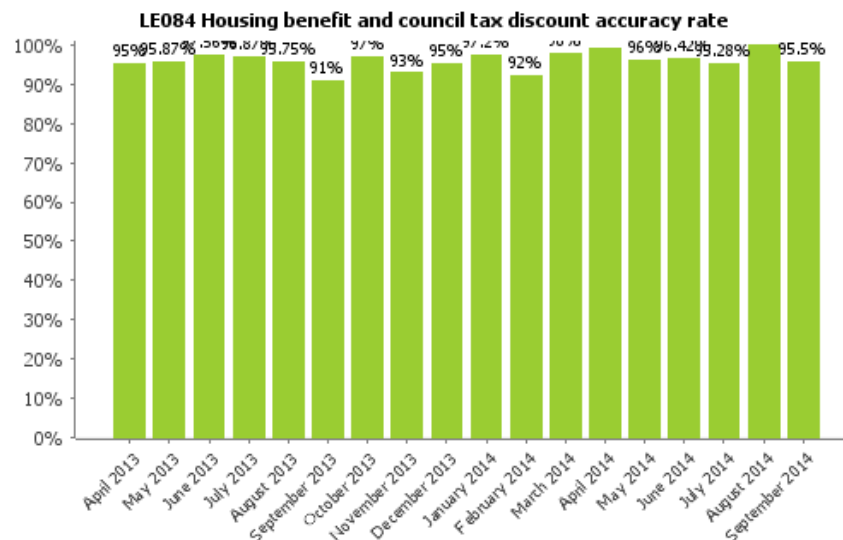
LE081 Number of households on housing benefit, council tax discount or both



Current Value 10,214

Managed By Lucy Wright

LE084 Housing benefit and council tax discount accuracy rate



Current Value 95.5%

Managed By Lucy Wright






Listed below are primary actions for other purposes but also impact on this purpose

Listed below are primary measures for other purposes but also impact on this purpose

Support me to run a successful business

Progress with the purpose 'support me to run a successful business'



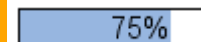
Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed



Due Date	Managed By	Latest Note	Latest Note Date
31-Mar-2015	Mike Parker; Dean Piper	All ten apprenticeships progressing. Meeting of Cabinet Review Panel agreed additional £11,000 funding for 2014/15.	14-Oct-2014

WFF 14/15 33

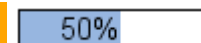
Community Action Wyre Forest (CAWF) Skills Improvement Programme



Due Date	Managed By	Latest Note	Latest Note Date
31-Mar-2015	Mike Parker; Dean Piper	11 participants undertaking training, 4 of whom are now trading, 2 have taken up employment and 3 are awaiting funding outcomes.	22-Oct-2014

WFF 14/15 34

Vestia Employment and Skills Programme



Due Date	Managed By	Latest Note	Latest Note Date
31-Mar-2016	Mike Parker; Dean Piper	102 people receiving support from Vestia Employability Services up to Q2 (target – 142 for year); 9 people (9%) progressing into work within 6 months of receiving report (target – 57 for year); 34 (44%) people progressing into training within 6 months of receiving support (target – 57 for year).	22-Oct-2014

WFF 14/15 45

Incubator Units



Due Date	Managed By	Latest Note	Latest Note Date
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31-Mar-2015

Mike Parker; Dean Piper

Both individual offices let; three flexible desks in use, six individual workshops occupied, three individual storage units let and additional lettings in the open storage yard. Three workshops still available.

14-Oct-2014

WFF 14/15 46

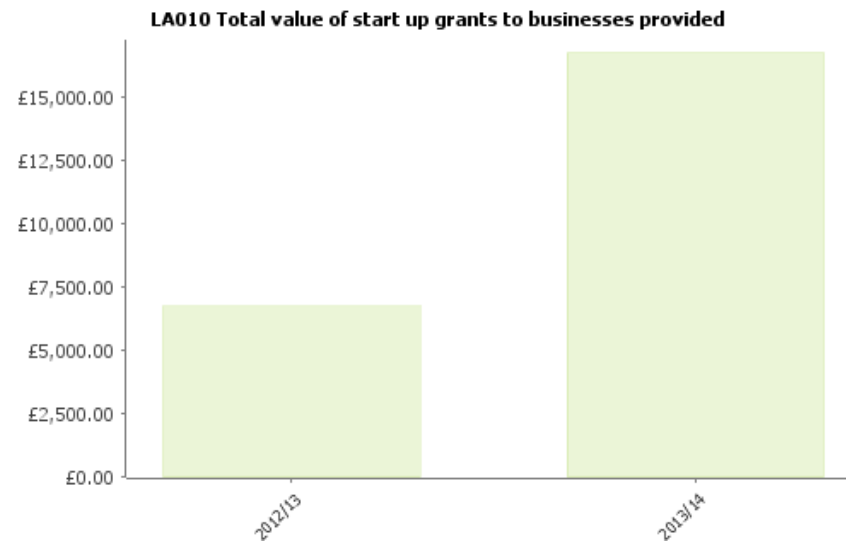
Worcestershire Regulatory Services

33%



Due Date	Managed By	Latest Note	Latest Note Date
31-Mar-2015	Mike Parker	Three year savings trajectory underway with year 1 in progress.	12-May-2014

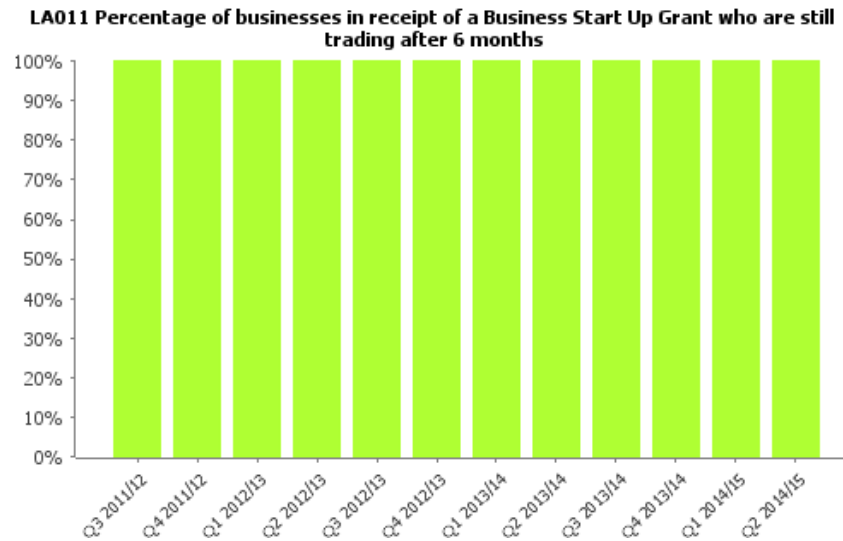
LA010 Total value of start up grants to businesses provided



Current Value £16,750.67

Managed By Dean Piper;
Steve Singleton

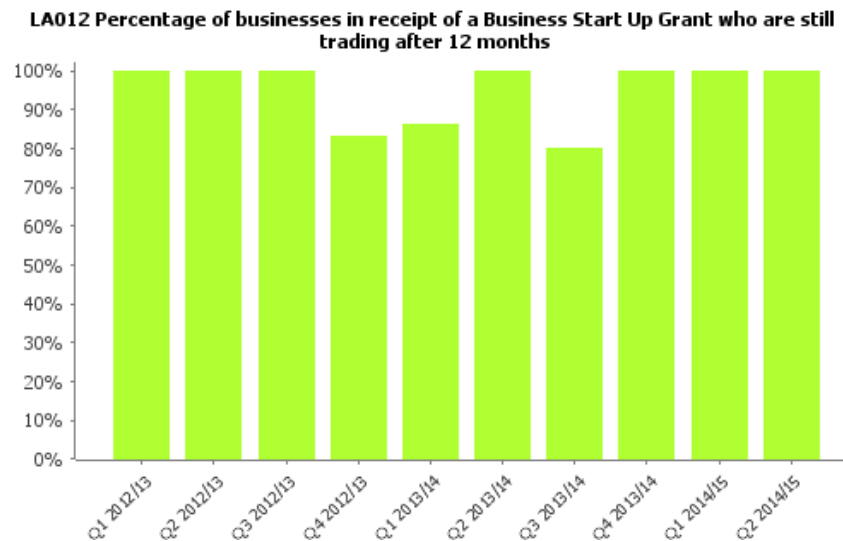
LA011 Percentage of businesses in receipt of a Business Start Up Grant who are still trading after 6 months



Current Value 100%

Managed By Dean Piper;
Steve Singleton

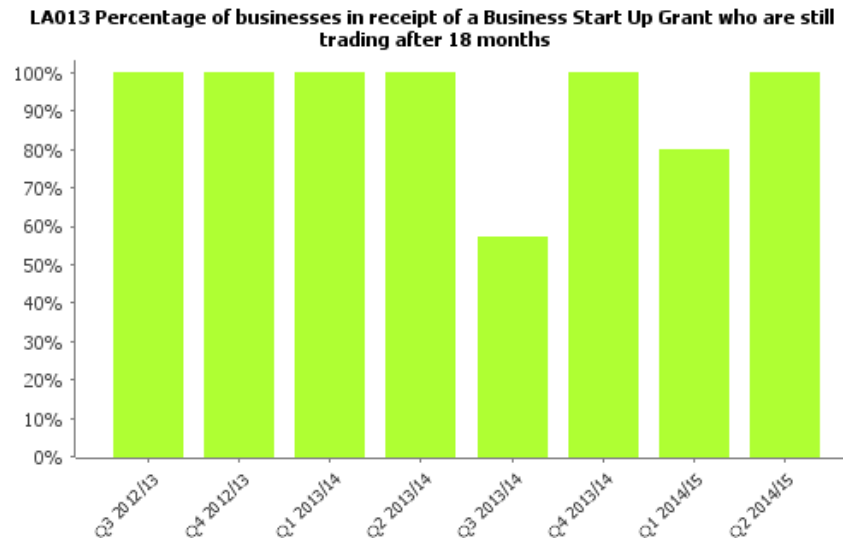
LA012 Percentage of businesses in receipt of a Business Start Up Grant who are still trading after 12 months



Current Value 100%

Managed By Dean Piper;
Steve Singleton

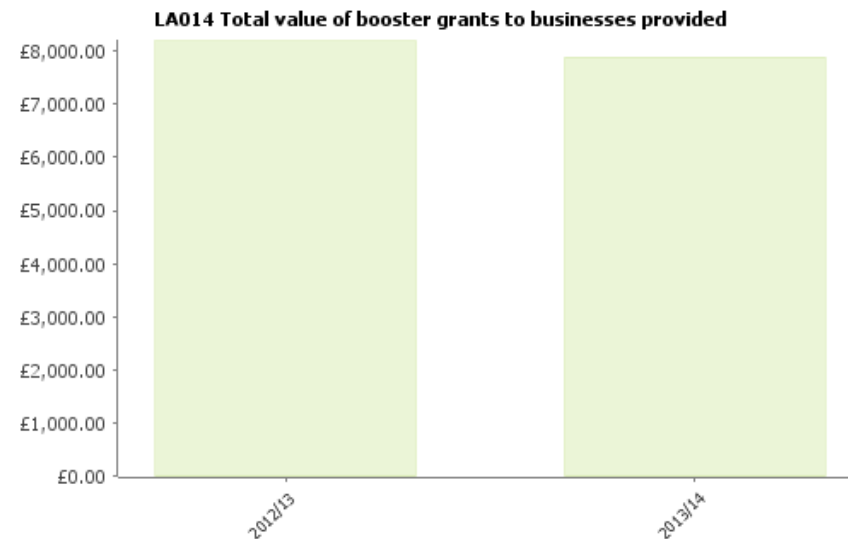
LA013 Percentage of businesses in receipt of a Business Start Up Grant who are still trading after 18 months



Current Value 100%

Managed By Dean Piper;
Steve Singleton

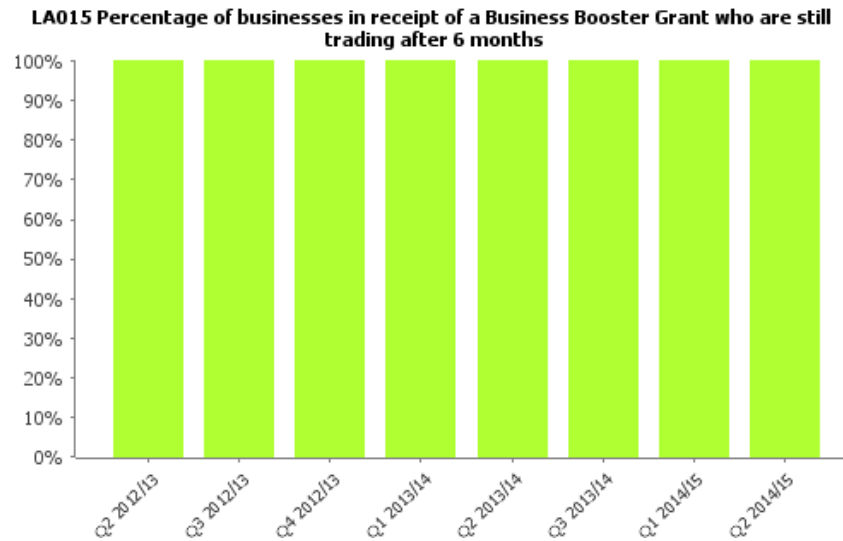
LA014 Total value of booster grants to businesses provided



Current Value £7,878.79

Managed By Dean Piper;
Steve Singleton

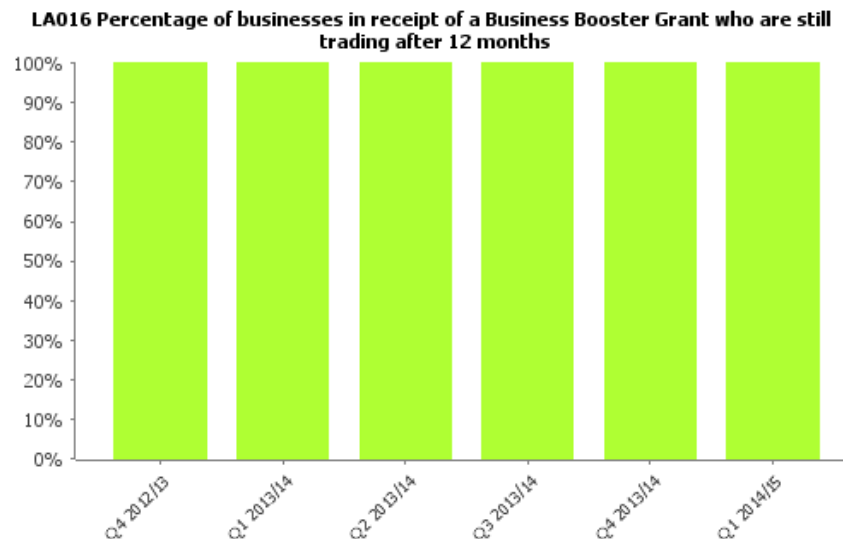
LA015 Percentage of businesses in receipt of a Business Booster Grant who are still trading after 6 months



Current Value 100%

Managed By Dean Piper;
Steve Singleton

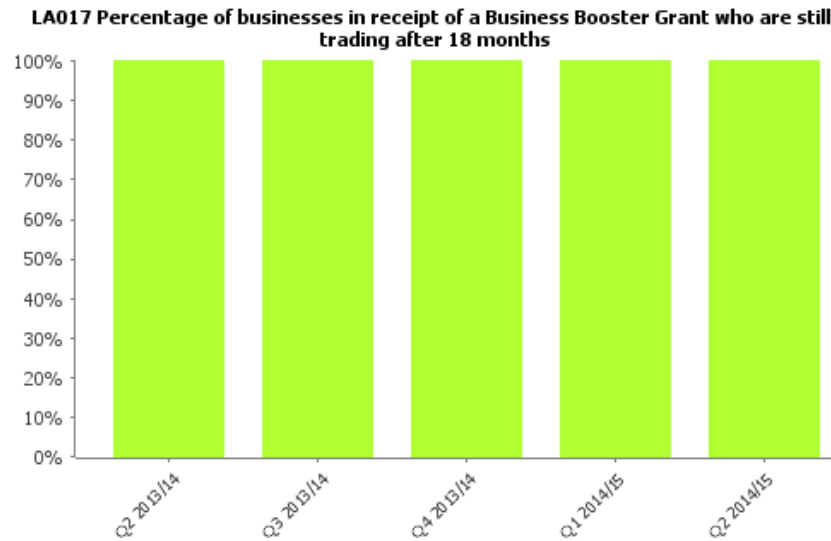
LA016 Percentage of businesses in receipt of a Business Booster Grant who are still trading after 12 months



Current Value No grants reached the 12 months trigger during this quarter

Managed By Dean Piper;
Steve Singleton

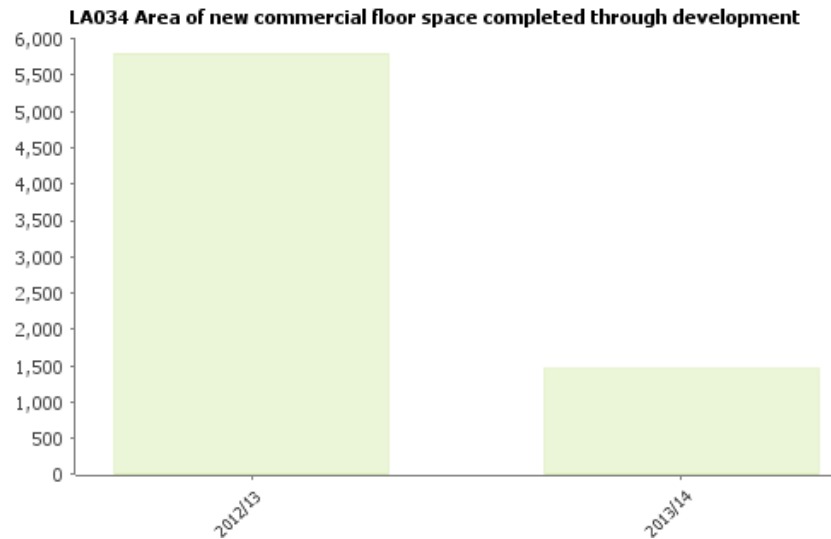
LA017 Percentage of businesses in receipt of a Business Booster Grant who are still trading after 18 months



Current Value 100%

Managed By Dean Piper;
Steve Singleton

LA034 Area of new commercial floor space completed through development



Current Value 1,458

Managed By Rebecca Mayman

LA048 Amount (m2) of new/extended business/commercial floorspace built as a result of the LDO

LA048 Amount (m2) of new/extended business/commercial floorspace built as a result of the LDO

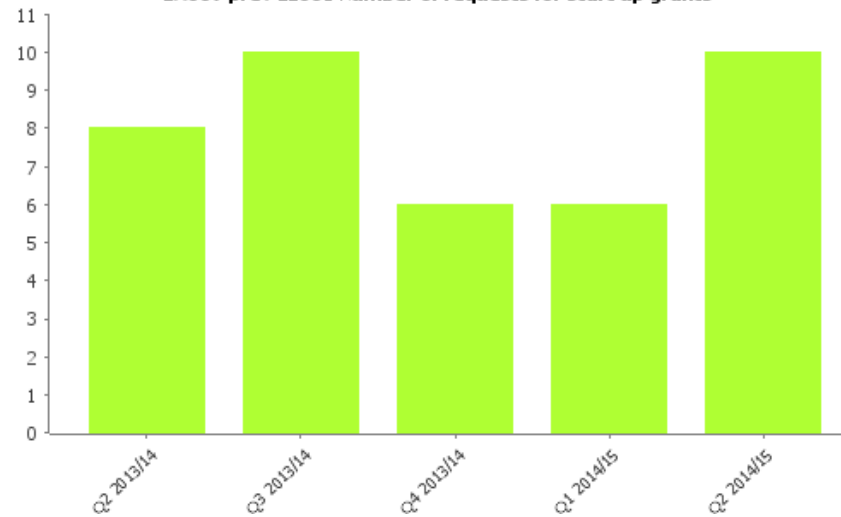


Current Value 217

Managed By Jonathan Elmer;
Dean Piper

LA067 Number of requests for start up grants
prev
LE061

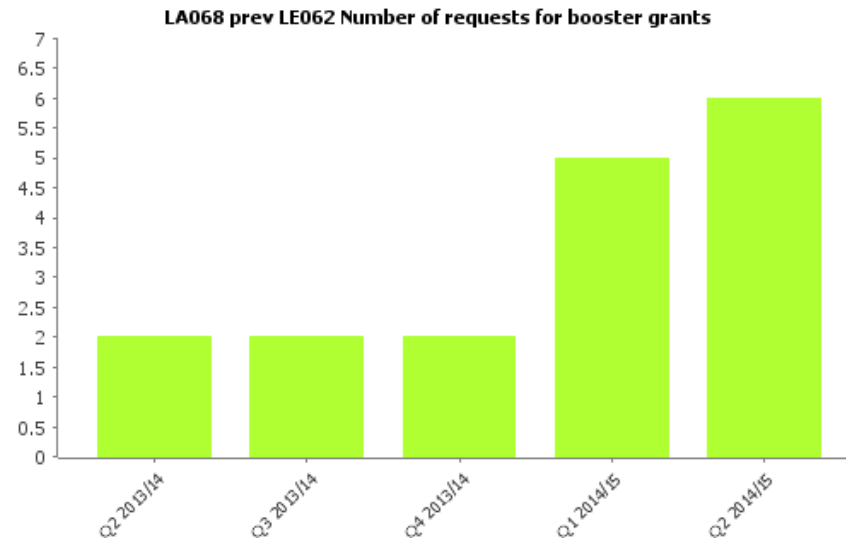
LA067 prev LE061 Number of requests for start up grants



Current Value 10

Managed By Dean Piper;
Steve Singleton

LA068 Number of requests for booster grants
prev grants
LE062



Current Value 6

Managed By Dean Piper;
Steve Singleton

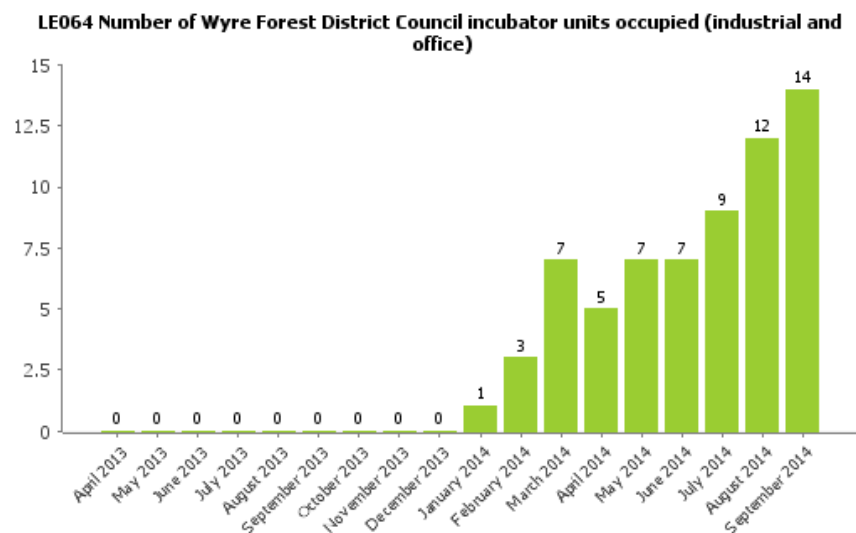
LE063 Number of contacts from businesses wishing to move into or remain in the area



Current Value 22

Managed By Dean Piper;
Steve Singleton

LE064 Number of Wyre Forest District Council incubator units occupied (industrial and office)

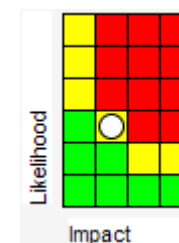


Current Value 14

Managed By Dean Piper;
Steve Singleton

CORPRISK03

Unable to improve the economic prosperity of the district. Lack of vitality in the local economy – although the District is holding up reasonably well in the current economic conditions it still aims to stimulate growth to support the economic recovery and to support the recovery of the local economy. The Council is now in it's third year of the State of the Area Programme which includes a number of projects to assist in the stimulation of economic recovery. The Council as part of the North Worcestershire Economic Development and Regeneration Service it is part of two local enterprise partnerships and continues to maximise the benefit of that position. The Business Rates Retention Scheme introduced in 2013/14 increases the incentive to promote growth as there is significant financial risk to this Council of we are unable to sustain the baseline level of the business rates reflected in government projections. Membership of the Worcestershire Business Rates Pool can only mitigate this risk to a certain extent and economic growth is key to the future financial sustainability of the Council.



Listed below are primary actions for other purposes but also impact on this purpose

WFF 14/15 20

Delivery of Hoobrook Link Road

Listed below are primary measures for other purposes but also impact on this purpose

WYRE FOREST

BUSINESS START-UP GRANTS

		Grant Awarded	6 months Survival	12 months Survival	18 months Survival
2011/12	Q1	1	-	-	-
	Q2	5	-	-	-
	Q3	5	1	-	-
	Q4	6	5	-	-
2012/13	Q1	7	5	1	-
	Q2	2	6	5	-
	Q3	5	7	5	1
	Q4	1	2	5	5
2013/14	Q1	1	5	6	5
	Q2	3	1	2	5
	Q3	8	1	4	4
	Q4	6	3	1	2
2014/15	Q1	4	8	1	4
	Q2	5	6	3	1
	Q3				
	Q4				

BUSINESS BOOSTER / GROWTH GRANTS

		Grant Awarded	6 months Survival	12 months Survival	18 months Survival
2011/12	Q1	0	-	-	-
	Q2	0	-	-	-
	Q3	0	-	-	-
	Q4	2	-	-	-
2012/13	Q1	1	-	-	-
	Q2	1	2	-	-
	Q3	5	1	-	-
	Q4	1	1	2	-
2013/14	Q1	1	5	1	-
	Q2	0	1	1	2
	Q3	2	1	5	1
	Q4	1	-	1	1
2014/15	Q1	5	2	1	5
	Q2	2	1	-	1
	Q3				
	Q4				



Overview & Scrutiny Committee

Briefing Paper

Report of: Tracey Southall, Chief Financial Officer
Date: Thursday, 6th November 2014
Open

Recommendations from Treasury Management Review Panel: Consideration of Treasury Management Strategy Statement and Annual Investment Strategy Mid-year Review Report 2014/15

1. Summary

- 1.1 The purpose of this report is to provide Members with a mid-year review of the Council's treasury management policies, practices and activities in accordance with the revised CIPFA Treasury Management Code of Practice.

2. Background

- 2.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return.
- 2.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 2.3 Accordingly, Treasury management is defined as:
- “The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 2.4 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2011) was adopted by this Council on 29th February 2012.
- 2.5 The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement that sets out the policies and objectives of the Council's Treasury Management activities.
 2. Creation and maintenance of Treasury Management Practices that set out the manner in which the Council will seek to achieve those policies and objectives.
 3. Receipt by the Full Council of an Annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a **Mid-year Review Report** and an Annual Report (stewardship report) covering activities during the previous year.
 4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
 5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Treasury Management Review Panel who will consider and endorse this report on 3rd November 2014, and make recommendations to the Overview and Scrutiny Committee to be held on 6th November 2014. Council approval will then be sought.
- 2.6 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:
- An economic update for the 2014/15 financial year to 30th September 2014;
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - The Council's capital expenditure (prudential indicators);
 - A review of the Council's investment portfolio for 2014/15;
 - A review of the Council's borrowing strategy for 2014/15;
 - A review of any debt rescheduling undertaken during 2014/15;
 - A review of compliance with Treasury and Prudential Limits for 2014/15.
- 3. Key Issues**
- 3.1 Economic performance to date and outlook - as provided by Capita Asset Services (Capita)
- 3.1.1 United Kingdom
- After strong United Kingdom (UK) Gross Domestic Product (GDP) quarterly growth of 0.7%, 0.8% and 0.7% in quarters 2, 3 and 4 respectively in 2013, (2013 annual rate 2.7%), and 0.7% in Q1 and 0.9% in Q2 2014 (annual rate 3.2% in Q2), it appears very likely that strong growth will continue through 2014 and into 2015 as forward surveys for the services and construction

sectors, are very encouraging and business investment is also strongly recovering.

The manufacturing sector has also been encouraging though the latest figures indicate a weakening in the future trend rate of growth. However, for this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance. This overall strong growth has resulted in unemployment falling much faster through the initial threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it said it would consider any increases in Bank Rate. The MPC has, therefore, subsequently broadened its forward guidance by adopting five qualitative principles and looking at a much wider range of about eighteen indicators in order to form a view on how much slack there is in the economy and how quickly slack is being used up.

The MPC is particularly concerned that the current squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of inflation in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates. Most economic forecasters are expecting growth to peak in 2014 and then to ease off a little, though still remaining strong, in 2015 and 2016. Unemployment is therefore expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in pay rates at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.

Also encouraging has been the sharp fall in inflation (Consumer Price Index (CPI)), reaching 1.5% in May and July, the lowest rate since 2009. Forward indications are that inflation is likely to fall further in 2014 to possibly near to 1%. Overall, markets are expecting that the MPC will be cautious in raising Bank Rate as it will want to protect heavily indebted consumers from too early an increase in Bank Rate at a time when inflationary pressures are also weak. A first increase in Bank Rate is therefore expected in Q1 or Q2 2015 and they expect increases after that to be at a slow pace to lower levels than prevailed before 2008 as increases in Bank Rate will have a much bigger effect on heavily indebted consumers than they did before 2008.

The return to strong growth has also helped lower forecasts for the increase in Government debt by £73bn over the next five years, as announced in the 2013 Autumn Statement, and by an additional £24bn, as announced in the March 2014 Budget - which also forecast a return to a significant budget surplus, (of £5bn), in 2018/19. However, monthly public sector deficit figures have disappointed so far in 2014/15.

3.1.2 United States (US)

In September, the Federal Reserve continued with its monthly \$10bn reductions in asset purchases, which started in December 2014. Asset purchases have now fallen from \$85bn to \$15bn and are expected to stop in October 2014, providing strong economic growth continues. First quarter GDP figures for the US were depressed by exceptionally bad winter weather, but growth rebounded very strongly in Q2 to 4.6% (annualised).

The US faces similar debt problems to those of the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth, although the weak labour force participation rate remains a matter of key concern for the Federal Reserve when considering the amount of slack in the economy and monetary policy decisions.

3.1.3 Eurozone (EZ)

The Eurozone is facing an increasing threat from weak or negative growth and from deflation. In September, the inflation rate fell further, to reach a low of 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the European Central Bank (ECB) took some rather limited action in June to loosen monetary policy in order to promote growth. In September it took further action to cut its benchmark rate to only 0.05%, its deposit rate to -0.2% and to start a programme of purchases of corporate debt. However, it has not embarked yet on full quantitative easing (QE) (purchase of sovereign debt).

Concern in financial markets for the Eurozone subsided considerably during 2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise for some countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed.

3.1.4 China and Japan

Japan is causing considerable concern as the increase in sales tax in April has suppressed consumer expenditure and growth. In Q2 growth was -1.8% q/q and -7.1% over the previous year. The Government is hoping that this is a temporary blip.

As for China, Government action in 2014 to stimulate the economy appeared to be putting the target of 7.5% growth within achievable reach but recent data has raised fresh concerns. There are also major concerns as to the creditworthiness of much bank lending to corporates and local government during the post 2008 credit expansion period and whether the bursting of a bubble in housing prices is drawing nearer.

3.2 Capita's interest rate forecast

3.2.1 The Council's treasury advisor, Capita, provides the following forecast (the forecasts are for Public Works Loan Board (PWLB) certainty rates; ie, 20 basis points below the standard PWLB rates):

	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	2.00%	2.00%
5yr PWLB rate	2.70%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.50%
10yr PWLB rate	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.30%	4.30%
25yr PWLB rate	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.80%	4.90%	4.90%
50yr PWLB rate	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.80%	4.90%	4.90%

3.2.2 Capita Asset Services undertook a review of its interest rate forecasts in mid August, after the Bank of England's Inflation Report. By the beginning of September, a further rise in geopolitical concerns, principally over Ukraine but also over the Middle East, had caused a further flight into safe havens like gilts and depressed PWLB rates further. However, there is much volatility in rates as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 1 of 2015.

3.2.3 Capita's PWLB forecasts are based around a balance of risks. However, there are potential upside risks, especially for longer term PWLB rates, as follows: -

- A further surge in investor confidence that robust world economic growth is firmly expected, causing a flow of funds out of bonds and into equities.
- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

3.2.4 Downside risks currently include:

- The situation over Ukraine poses a major threat to EZ and world growth if it was to deteriorate into economic warfare between the West and Russia where Russia resorted to using its control over gas supplies to Europe.
- UK strong economic growth is currently dependent on consumer spending and the unsustainable boom in the housing market. The boost from these sources is likely to fade after 2014.
- A weak rebalancing of UK growth to exporting and business investment causing a weakening of overall economic growth beyond 2014.

- Weak growth or recession in the UK's main trading partners - the EU and US, inhibiting economic recovery in the UK.
- A return to weak economic growth in the US, UK and China causing major disappointment in investor and market expectations.
- A resurgence of the Eurozone sovereign debt crisis caused by ongoing deterioration in government debt to GDP ratios to the point where financial markets lose confidence in the financial viability of one or more countries and in the ability of the ECB and Eurozone governments to deal with the potential size of the crisis.
- Recapitalising of European banks requiring more government financial support.
- Lack of support by populaces in Eurozone countries for austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- Italy: the political situation has improved but it remains to be seen whether the new government is able to deliver the austerity programme required and a programme of overdue reforms. Italy has the third highest government debt mountain in the world.
- France: after being elected on an anti austerity platform, President Hollande has embraced a €50bn programme of public sector cuts over the next three years. However, there could be major obstacles in implementing this programme. Major overdue reforms of employment practices and an increase in competitiveness are also urgently required to lift the economy out of stagnation.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Heightened political risks in the Middle East and East Asia could trigger safe haven flows back into bonds.
- There are also increasing concerns that the reluctance of western economies to raise interest rates significantly for some years, plus the huge QE measures which remain in place (and may be added to by the ECB in the near future), has created potentially unstable flows of liquidity searching for yield and therefore heightened the potential for an increase in risks in order to get higher returns. This is a return of the same environment which led to the 2008 financial crisis.

3.3 Treasury Management Strategy Statement And Annual Investment Strategy Update

- 3.3.1 The Treasury Management Strategy Statement (TMSS) for 2014/15 was approved by this Council on 26th February 2014.

3.3.2 There are no policy changes to the TMSS that require Council approval. The details in this report update the position in the light of the updated economic position and budgetary changes already approved.

3.3.3 The Council's Annual Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as follows:

- Security of Capital
- Liquidity

3.3.4 The Council will also aim to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with highly credit rated financial institutions, using Capita's suggested creditworthiness approach and credit default swap (CDS) overlay information provided by Capita. However, consideration is given to special tranche rates that are occasionally offered by those banks that are part-nationalised.

3.3.5 A breakdown of the Council's current investment portfolio as at 30th September 2014 is shown in Section 3.5 of this report.

3.3.6 Borrowing rates have generally reduced during the first six months of the 2014/15 financial year. The Council will be required to undertake further external borrowing during the next six months and will monitor the market to secure the most advantageous rates. Investments during the first six months of the year have been in line with the strategy, and there have been no deviations from the strategy.

3.3.7 As outlined in Section 3.1 above, there is still considerable uncertainty and volatility in the financial and banking market, both globally and in the UK.

3.4 The Council's Capital Position (Prudential Indicators)

3.4.1 This part of the report is structured to update:

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

3.4.2 Prudential Indicator for Capital Expenditure

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

Capital Expenditure by Service/Major Schemes	2014/15 Original Estimate £'000	Mid Year Position £'000	2014/15 Revised Estimate £'000
New Headquarters - Accommodation	-	1	604
Contribution towards replacement of Civic Facilities in Stourport-On-Severn	-	-	450
Future Leisure Provision	7,617	1,488	2,570
Chief Executive	2,501	60	477
Community Well-being and Environment	281	16	140
Economic Prosperity and Place	2,801	324	1,832
Vehicle, Equipment and Systems Renewals	950	160	577
Total	14,150	2,049	6,650

3.4.3 Changes to the Financing of the Capital Programme

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

Capital Expenditure	2014/15 Original Estimate £'000	Mid Year Position £'000	2014/15 Revised Estimate £'000
Supported (Revenue Support Grant Settlement)	-	-	-
Unsupported	14,150	2,049	6,650
Total spend	14,150	2,049	6,650
Financed by:			
Capital receipts	2,855	62	1,973
Capital grants	2,233	245	854
Revenue	250	4	103
Total financing	2,900	2,049	2,930
Borrowing need	8,812	1,738	3,720

3.4.4 Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary

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

Prudential Indicator – Capital Financing Requirement

The latest estimate of the Capital Financing Requirement is lower due to slippage in several capital schemes.

Prudential Indicator – External Debt / the Operational Boundary

	2014/15 Original Estimate £'000	2014/15 Revised Estimate £'000
CFR	14,866	9,057
External Debt/Operational Boundary	25,000	25,000

3.4.5 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, gross borrowing will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2014/15 and next two financial years. This allows some flexibility for limited borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent (TMSS Section 8.5).

Limits to Borrowing Activity	2014/15 Original Estimate £'000	2014/15 Revised Estimate £'000
Gross Borrowing	14,509	8,735
Less Investments	(5,000)	(6,000)
Less Icelandic Investments (currently frozen)	(165)	(165)
Net Borrowing	9,344	2,570
CFR (year end position)	14,866	9,057

The Chief Financial Officer reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

- 3.4.6 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing

need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised Limit for External Debt	2014/15 Original Indicator £'000	2014/15 Revised Indicator £'000
Borrowing	30,000	30,000

3.5 Investment Portfolio 2014/15

3.5.1 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out in Sections 3.1 and 3.2, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate. Indeed, the Funding for Lending scheme has reduced market investment rates even further. The potential for a prolonging of the Euro zone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment, investment returns are likely to remain low.

3.5.2 The investment portfolio yield for the first six months of the year against the benchmark (7 Day LIBID) is shown below:

Benchmark	Benchmark Return	Council Performance to 30/09/2014	Investment Interest Earned to 30/09/2014
7 day LIBID	0.35%	0.50%	£41,429

As illustrated, the authority out-performed the benchmark by 15 bank basis points (bps). This was mainly due to there currently being slightly more high quality counterparties available for use by this Council, thereby removing the frequent use of the Debt Management Office (DMO) that only returns 0.25%. The Council's original budgeted investment return for 2014/15 is £50,000, and performance for the year to date is £44,540. The main reason for this increase is that the Council currently has more funds to invest due to Capital Programme slippage. The Council is also a member of the Capita Benchmarking Club, the results of which are reported separately to the Treasury Management Review Panel.

3.5.3 The tables below show investments held at 1st April 2014 compared to investments held at 30th September 2014, excluding Icelandic investments.

Investments Held With	1st April 2014 £	Average Rate of Return	Duration
Royal Bank of Scotland	3,175,000	0.60%	Instant Access
NatWest Bank	175,000	0.40%	Instant Access
Lloyds TSB Bank	535,000	0.40%	Instant Access
Ignis Money Market Fund	3,550,000	0.38%	Instant Access
Svenska Handelsbanken	3,300,000	0.55%	Instant Access
Santander	3,405,000	0.40%	Instant Access
Lloyds TSB Bank	1,000,000	0.8%	Fixed to 11/04/14
Lloyds TSB Bank	1,000,000	0.8%	Fixed to 12/06/14
Total	16,140,000		

Investments Held With	30th September 2014 £	Average Rate of Return	Duration
Lloyds TSB Bank	311,030	0.40%	Instant Access
Ignis Money Market Fund	2,330,000	0.43%	Instant Access
Svenska Handelsbanken	2,700,000	0.45%	Instant Access
Santander	2,250,000	0.40%	Instant Access
Lloyds TSB Bank	1,000,000	0.80%	Fixed to 12/03/15
Lloyds TSB Bank	1,000,000	0.70%	Fixed to 12/01/15
Lloyds TSB Bank	1,000,000	0.80%	Fixed to 29/04/15
Goldman Sachs International Bank	2,000,000	0.50%	Fixed to 03/12/14
Nationwide Building Society	1,500,000	0.43%	Fixed to 17/10/14
Total	14,091,030		

3.5.4 As illustrated in the economic background section above, investment rates available in the market are at an historical low point. The average level of funds available for investment purposes in the first six months of 2014/15 was £16,630,673. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.

3.5.5 Investment Counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function. However, yields continue to be low whilst the Council adheres to the low risk strategy due to the current economic climate.

3.5.6 As a result of recent rating agency changes, the credit element of Capita's methodology now focuses solely on the Short and Long Term ratings of an institution. This technical revision to the Investment Policy and Strategy Statement 2014/15 was presented for noting to the Treasury Management Review panel on 1st September 2014, to Overview and Scrutiny Committee on 10th September 2014 and to Council on 24th September 2014. Rating Watch and Outlook information continues to be assessed where it relates to these categories. This is the same process for Standard & Poor's that they have always taken, but a change to the use of Fitch and Moody's ratings. Furthermore, Capita will continue to utilise CDS prices as an overlay to ratings in their new methodology.

3.6 External Borrowing

3.6.1 The Council's capital financing requirement (CFR) – as at 1st April 2014 was £5.539m, projected to rise to £9.057m by 31st March 2015. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The Council's external borrowing totalled £5m at 1st April 2014. Due to the overall financial position and the underlying need to borrow for capital purposes (the CFR) new external borrowing of £1m was undertaken from the PWLB on 29th July 2014. The loan was for 19 years at a rate of 3.99%.

3.6.2 The table below shows the Council's external borrowing as at 30th September 2014.

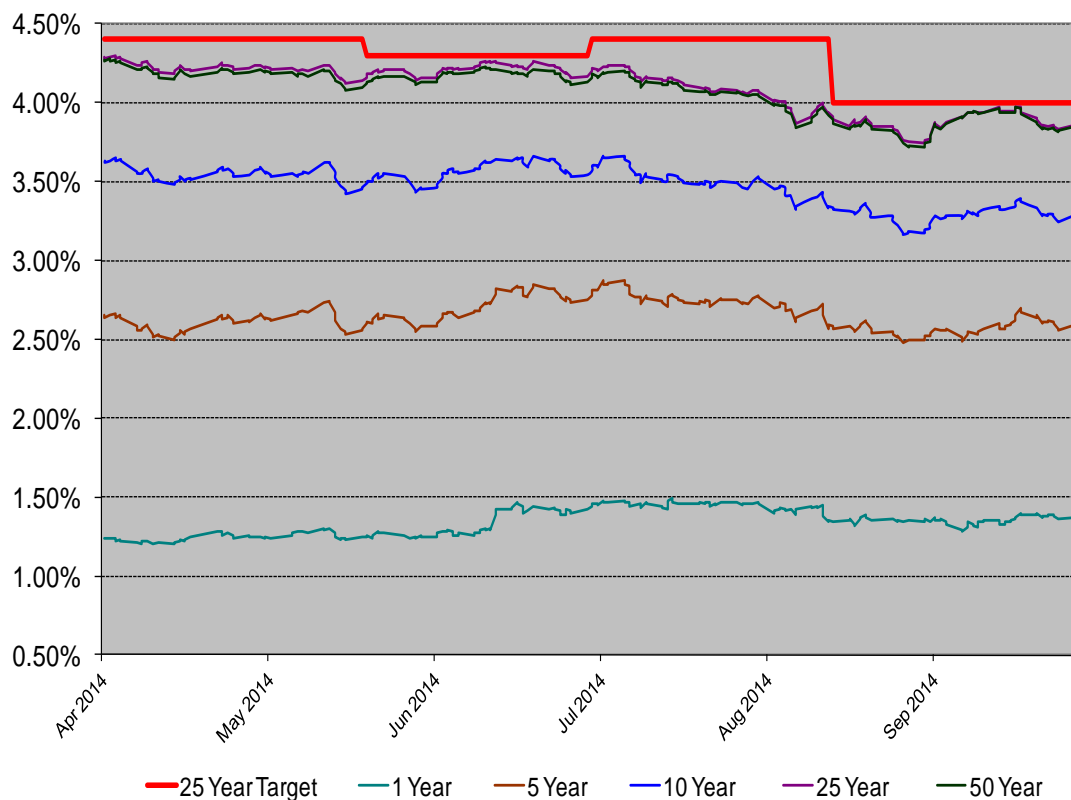
Lender	Date	Principal	Type	Interest Rate	Maturity
PWLB	15/03/13	£1m	Fixed interest rate	2.62%	15/03/22 (9 years)

Lender	Date	Principal	Type	Interest Rate	Maturity
PWLB	02/04/13	£1m	Fixed interest rate	1.52%	02/04/18 (5 years)
Market - Derbyshire County Council	09/12/13	£1m	Fixed interest rate	0.65%	09/12/14 (364 days)
Market - Borough of Kings Lynn & West Norfolk	14/07/14	£2m	Fixed interest rate	0.95%	14/07/16 (2 years)
PWLB	29/07/14	£1m	Fixed interest rate	3.99%	29/07/33 (19 years)

3.6.3 It is anticipated that further borrowing will be undertaken during this financial year.

3.6.4 As outlined below, the general trend has been a decrease in interest rates during the six months, across longer dated maturity bands but a rise in the shorter maturities, reflecting in part the expected rise in the Bank rate.

3.6.5 The graph below shows the movement in PWLB certainty rates for the first six months of the year.



3.7 Debt Rescheduling

- 3.7.1 There has been no requirement for debt rescheduling during the first six months of 2014/15.

3.8 Compliance With Treasury And Prudential Limits

- 3.8.1 It is a statutory duty for the Council to determine and keep under review the “Affordable Borrowing Limits”. Council’s approved Treasury and Prudential Indicators (affordability limits) are outlined in the approved Treasury Management Policy and Strategy Report.
- 3.8.2 During the financial year to date the Chief Financial Officer confirms that the Council has operated within the treasury limits and Prudential Indicators set out in the Council’s Treasury Management Strategy Statement and in compliance with the Council’s Treasury Management Practices.
- 3.8.3 The Prudential and Treasury Indicators are shown in Appendix 1. These have been updated for the slippage in the Capital Programme and the associated requirements to undertake external borrowing.

3.9 Local Issues

- 3.9.1 The most significant issue to affect the Council relates to the exposure of investments with links to Icelandic Banks. The Council established the Treasury Management Review Panel which examined the circumstances leading up to the placing of the particular investments and continues to consider recommendations in relation to the Council’s lending lists and other relevant Treasury Management matters.
- 3.9.2 The Council had £9m invested in Icelandic Banks at the time of collapse in October 2008. In January 2014 the Council sold its Landsbanki claim and has recovered almost 97% of the £3million that it had deposited.
- 3.9.3 The table below details the Councils remaining Icelandic investments as at 30th September 2014.

Bank	Original Investment £	Interest Claimed £	Total Claim £	Dividends Received £	Balance Outstanding including Interest Due £	Balance Outstanding Principal Only £
Kaupthing Singer & Friedlander	5,000,000	156,378	5,156,378	4,202,448	953,930	925,000
Heritable Bank	1,000,000	31,110	1,031,110	969,422	61,688	60,157
Total	6,000,000	187,488	6,187,488	5,171,870	1,015,618	985,157

- 3.9.4 Over this, and the ensuing years, the funds available for investment will reduce as the Council progresses its Transformation Agenda in areas such as the completion of the ICT Strategy, the Carbon Management Plan and the Future Leisure Provision. Each of these schemes is being pursued to ensure that the Council can reduce the on-going cost of delivering services.
- 3.9.5 Over the coming years the Council is also scheduled to make disposals of assets. Careful consideration will be made on each opportunity to ensure that the Council sells at a time that maximises the return to the authority. The approval of the Future Investment Evergreen Fund initiative by Council in September 2014 will provide a sustainable source of funding for future investments in approved projects. This fund will help the Council to realise the regenerative benefits of some of its vacant and underused assets as well as securing some longer term returns from working in partnership with developers. The aim is to help the district grow in housing, business and/or general economic terms. Each business case will be considered by Overview and Scrutiny and it is hoped that once capital receipts start to be realised this may provide the source of some innovative proposals.
- 3.9.6 As the capital programme expenditure progresses and balances of reserves that contribute to the make-up of the cash reserves available for investment reduce, external rather internal, borrowing will be used as an affordable means of funding for approved projects. The timing of this borrowing is crucial, particularly given the forecast albeit gradual increase in borrowing interest rates. Advice will be sought, as usual from Capita and appropriate market information referenced. The Chief Financial Officer currently considers that cash balances should be held at no less than £5m for a Council of our size. This forecast reduction in daily cash balances, together with the current limitations on the counterparty list, that are highly likely to continue, will make longer term investments unviable and it is therefore highly likely investments yields will decrease as projected in the new revenue base budget.
- 3.9.7 The financial situation facing this Council continues to be extremely challenging, although it is unlikely the significant reductions in local government funding announced in the Spending Review last year, will be repeated this year. Nevertheless, funding reductions and austerity looks set to continue throughout the term of the next strategy. The ambitious transformation programme to generate essential savings means that the Council continues to face a challenge in delivering a fully balanced budget. These austere times will have an impact on the Treasury Management activity both in terms of sums available to invest and the type of activities the Council may engage in.

4. Options

Overview and Scrutiny Committee recommends to Council to:

- 4.1 Approve this Mid-year Review and updated Prudential Indicators.**

5. Consultation

- 5.1 Capita, Treasury Management Consultants.
- 5.2 Corporate Leadership Team.
- 5.3 Leader of the Council.
- 5.4 Cabinet Member for Resources and Transformation.
- 5.5 Treasury Management Review Panel.

6. Related Decisions

- 6.1 Recommendation from Treasury Management Review Panel 3rd November 2014.

7. Relevant Council Policies/Strategies

- 7.1 Council 26/02/14– The Treasury Management Strategy Report 2014/2015
http://www.wyreforest.gov.uk/council/docs/doc48860_20140226_council_agenda.pdf
- 7.2 Council 24/09/14 – Annual Report on Treasury Management Services, Actual Prudential Indicators 2013/14 and Proposed Technical Revision to the Treasury Management Strategy Statement 2014/15
http://www.wyreforest.gov.uk/council/docs/doc49414_20140924_council_agenda.pdf

8. Implications

- 8.1 **Resources:** The Financial Implications of the treasury management function will be included in the Council's Medium Term Financial Strategy and Budget and Policy Framework, currently being prepared.
- 8.2 **Legal & Policy:** The Local Government Act 2003 supplemented by Regulations set out a new framework for a prudential system for local authority capital finance. This Act, together with CIPFA's Prudential Code for Capital Finance in Local Authorities, came into effect on 1st April 2004. This code together with recent revised editions, guides decisions on what Local Authorities can afford to borrow and has statutory backing under Regulations issued in accordance with the Local Government Act 2003.

Adoption of the CIPFA Code of Practice on Treasury Management in the Public Services as part of the Authority's Standing Orders and Financial Regulations, gives it the status of a "code of practice made or approved by or under any enactment", and hence proper practice under the provisions of the Local Government and Housing Act 1989.

- 8.3 **Risk Management:** The Council is aware of the risks of passive management of the treasury portfolio. With the support of its external consultants we continue to proactively manage our investments. Capita Asset Services – Treasury Solutions (formerly Sector Treasury Services) are the Council’s advisors, appointed from 1st September 2010. The contract for Treasury Services was extended in September 2013 by a further 2 years on favourable terms with the contract ending on the 31st August 2015. On 3rd November 2014 the Treasury Management Review Panel will be asked to endorse the recommendation of the Chief Financial Officer to seek an Exception to Contract Procedure Rules and agree to progress a new contract with Capita for Treasury Management Services for a period of 3 years with an option to extend for a further 2 years. This would be progressed by an Exception to Contract Procedure Rules formally granted by the Cabinet Member for Resources and Transformation.

Shorter-term variable rates and likely future movement in these rates predominantly determine the Council’s investment return. These returns can therefore be volatile and, whilst the risk of loss of principal is minimised through the lending list, accurately forecasting returns can be difficult.

The Council is overseeing its most significant capital investment programme in many years as well as major injections of finance in its key priority of securing the economic prosperity of the district. The prospect of increasing interest rates that could increase the costs of borrowing are a risk to these schemes and affordability of capital is an issue we continue to monitor closely.

The General Election in May 2015 means there is further uncertainty over funding. The lack of recent information on future funding plans so far this year represents a risk to this budget cycle as we are planning against more unknowns than usual and have little/no ability to influence future funding levels going into the future. These macro-economic issues will have a knock-on effect to treasury management for all councils.

9. Equality Impact Needs Assessment

- 9.1 This is a financial report and there is no requirement to consider an Equality Impact Assessment.

10. Wards affected

- 10.1 All.

11. Appendices

- 11.1 Appendix 1 – Prudential and Treasury Indicators

12. Background Papers

- 12.1 Local Government Act 2003

Agenda Item No. 6

- 12.2 CIPFA's Revised Prudential Code for Capital Finance in Local Authorities, 2011
- 12.3 CIPFA's Revised Code of Practice on Treasury Management in the Public Services, 2011
- 12.4 Local Government and Housing Act 1989
- 12.5 26/02/14 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and updated Prudential Indicators 2014/15.
- 12.6 24/09/14 - Annual Report on Treasury Management Services, Actual Prudential Indicators 2013/14 and Technical Revision to the Treasury Management Strategy Statement 2014/15.
- 12.7 03/11/14 – Treasury Management Review Panel Agenda

Officer Contact Details:

Name: Tracey Southall
Title: Chief Financial Officer
Contact Number: 01562 732125
Email: tracey.southall@wyreforestdc.gov.uk

Name: Lisa Hutchinson
Title: Principal Accountant
Contact Number: 01562 732120
Email: lisa.hutchinson@wyreforestdc.gov.uk

Prudential and Treasury Indicators

PRUDENTIAL INDICATORS	2013/14	2014/15	2015/16	2016/17	2017/18
	actual	estimate	estimate	estimate	estimate
	£'000	£'000	£'000	£'000	£'000
Capital Expenditure	2,165	6,650	14,024	1,917	1,393
TOTAL	2,165	6,650	14,024	1,917	1,393
Ratio of financing costs to net revenue stream	1.92%	2.38%	5.71%	7.21%	10.29%
Gross Borrowing					
brought forward 1 April	3,023	5,018	8,735	17,942	17,789
carried forward 31 March	5,018	8,735	17,942	17,789	18,226
Capital Financing Requirement as at 31 March	5,539	9,057	18,065	18,153	18,463
Annual change in Capital Financing Requirement	34	3,518	9,008	88	310
Incremental impact of capital investment decisions		£ p	£ p	£ p	£ p
Increase in council tax (band D) per annum		(0.63)	(0.63)	(0.63)	(0.63)

APPENDIX 1

TREASURY MANAGEMENT INDICATORS	2013/14	2014/15	2015/16	2016/17	2017/18
	actual	estimate	estimate	estimate	estimate
	£'000	£'000	£'000	£'000	£'000
Authorised Limit for external debt -					
borrowing	20,000	30,000	33,000	33,000	33,000
other long term liabilities	0	0	0	0	0
TOTAL	20,000	30,000	33,000	33,000	33,000
Operational Boundary for external debt -					
borrowing	15,000	25,000	27,000	27,000	27,000
other long term liabilities	0	0	0	0	0
TOTAL	15,000	25,000	27,000	27,000	27,000
Actual external debt	5,018	8,735	17,942	17,789	18,226
Upper limit for fixed interest rate exposure					
Net principal re fixed rate investments	100%	100%	100%	100%	100%
Upper limit for variable rate exposure					
Net principal re variable rate borrowing / investments	100%	100%	100%	100%	100%
Upper limit for total principal sums invested for over 364 days	£	£	£	£	£
(per maturity date)	2m	2m	2m	2m	2m

Maturity structure of fixed rate borrowing during 2014/15	upper limit	lower limit
under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

JOINT WRS SCRUTINY TASK GROUP – FINAL REPORT

Outcome of Presentation to Worcestershire Shared Services Joint Committee

2nd October 2014

It was noted that Recommendation 6 had been addressed at the Joint Committee's previous meeting and that Recommendation 12 had been agreed and required action by partners' Overview and Scrutiny Committees.

The following recommendations were resolved by the Joint Committee:

Recommendation 1

Performance Management Information should continue to be made available for Members' consideration at every meeting of the Joint Committee and be sufficiently high on the agenda to be discussed in detail.

Recommendation 2

Twelve months after the new contact centre arrangements for WRS have been introduced, replacing the use of the Worcestershire Hub; the Joint Committee should review the effectiveness of these arrangements for communicating with the public.

Recommendation 3

The web-pages of each partner authority should be regularly monitored to ensure they are kept up to date, with the inclusion of a prominent and obvious link to the WRS website.

Recommendation 4

The purpose, content and circulation of the WRS newsletter should be thoroughly reviewed, with a view to it providing a more systematic and comprehensive account of the work and performance of the shared service and with the content and format being agreed by the Joint Committee.

Recommendation 5

That WRS have a designated member of staff to act as a Member Liaison Officer and as a single point of contact to signpost Member enquiries.

Recommendation 11

The lessons learned from the WRS shared service experience, particularly as detailed in this report, should be heeded by elected members and senior officers when considering any future proposals for shared service arrangements involving multiple partners.

In respect of Recommendations 7, 8, 9 and 10 the Joint Committee requested Officers to bring forward alternative proposals to address the issues raised in these recommendations.

***Amanda Scarce/Jess Bayley - Democratic Services Officers
Bromsgrove District and Redditch Borough Councils
3rd October 2014***

Recommendations from the Joint WRS Scrutiny Task Group	Response from WFDC Overview & Scrutiny Committee
WRS Performance and Communications	
Recommendation 1	
Performance Management Information should continue to be made available for Members' consideration at every meeting of the Joint Committee and be sufficiently high on the agenda to be discussed in detail.	Agreed.
Recommendation 2	
Twelve months after the new contact centre arrangements for WRS have been introduced, replacing the use of the Worcestershire Hub; the Joint Committee should review the effectiveness of these arrangements for communicating to the public.	Agreed.
Recommendation 3	
The webpages of each partner authority should be regularly monitored to ensure they are kept up to date and with the inclusion of a prominent and obvious link to the WRS website.	Agreed.
Recommendation 4	
The purpose, content and circulation of the WRS newsletter should be thoroughly reviewed, with a view to it providing a more systematic and comprehensive account of the work and performance of the shared service and with the content and format being agreed by the Joint Committee.	Agreed.
Recommendation 5	
That WRS have a designated member of staff to act as a Member Liaison Officer and as a single point of contact to signpost Member enquiries.	Agreed, with a proposal to review the effectiveness of the post in 12 months time.

Recommendations from the Joint WRS Scrutiny Task Group...continued.	Response from WFDC Overview & Scrutiny Committee
Financing of WRS Recommendation 6	
<p>In order to reduce the focus on financial considerations which currently play a major part in influencing partner participation, to the detriment of other equally important aspects of the service, the following should be addressed:</p> <ul style="list-style-type: none"> (a) A new business model for WRS be developed through the Chief Executives' Panel, building on the proposals already being produced by the Panel. (b) Consideration be given to the option for partner authorities to purchase an "out of hours service". 	<p>(a) Agreed</p> <p>(b) Rejected until further information is provided.</p>
Governance of WRS Recommendation 7	
<p>A new strategic decision making board for WRS should replace the Joint Committee, comprising one elected member per partner authority and supported by senior officers. This should be called the WRS Board.</p> <ul style="list-style-type: none"> (a) Meetings of this Board should take place at the base of WRS. (b) Responsibility for attendance at Board meetings should lie with each authority's representative and the quorum for meetings should be set at 5 representatives in attendance. (c) Meetings of the Board should take bi-monthly. (d) Elected members appointed to the Board should be provided with an induction programme and sufficient ongoing training to enable them to fulfil their role effectively. (e) Members appointed to the Board be expected to serve a minimum of two years to ensure continuity. (f) The Chair of the WRS Board should be elected annually by the members of the Board. 	<p>Rejected as no clear reason to change current arrangements.</p>
Recommendation 8	
<p>The Management Board be disbanded, with the WRS Management Team taking the lead responsibility for operational decision making under the leadership of the Head of Regulatory Services.</p>	<p>Rejected.</p>

Recommendations from the Joint WRS Scrutiny Task Group...continued.	Response from WFDC Overview & Scrutiny Committee
Recommendation 9	
<p>(a) The Head of WRS should be fully accountable to the WRS Board (as the strategic decision making body).</p> <p>(b) The Chief Executive of the host authority to act in a mentoring role as and when necessary.</p>	Rejected.
Lessons Learned	
Recommendation 10	
<p>(a) All decisions made by the WRS Board be formally reported back to all elected members of the partner authorities in a timely manner.</p> <p>(b) Attention should be paid to communicating updates about any planned changes to WRS services to all elected members of partner authorities.</p> <p>(c) The agendas and minutes of all WRS Board meetings should also be uploaded on to the WRS website in a timely fashion.</p>	(a),(b) & (c) – agreed, subject to substituting ‘WRS Board’ for ‘Joint Committee’.
Recommendation 11	
The lessons learned from the WRS shared service experience, particularly as detailed in this report, should be heeded by elected members and senior officers when considering any future proposals for shared service arrangements involving multiple partners.	Agreed.
Recommendation 12	
<p>(a) The Joint Scrutiny Protocol should be reviewed in order to take on board the lessons learned during this review.</p> <p>(b) Consideration should be given to the reinstatement of the Worcestershire Overview and Scrutiny Chairs Group as a means of feeding back the monitoring of recommendations from Joint Scrutiny exercises, as and when required.</p>	<p>(a) Agreed.</p> <p>(b) Rejected, the group proved to be ineffective in the past due to the difficulty in arranging meetings.</p>

Overview & Scrutiny Committee Work Programme 2014-2015

July 2014

3rd Leisure Centre Update
Housing Allocation Policy
How Are We Doing? Performance Update (Q4)
Climate Change Update
Joint WRS Task Group (Final Report)
Tracking Recommendations 2013-2014

10th Development of Council's Assets (Exempt)

23rd Joint WRS Task Group (Final Report)
Call In – Review of Hub Satellite Offices at Stourport and Bewdley

September 2014

How Are We Doing Q1 update (Enabling)
Recs from Treasury Management Review Panel (to Council)
Health Action Plan

October 2014

Leisure Centre Update
Design Supplementary Planning Document

November 2014

How Are We Doing Q2 update (Business and People)
Recs from Treasury Management Review Panel (to Council)
Joint WRS Scrutiny Task Group Final Report – Summary of decision made in respect of recommendations

December 2014

Leisure Centre Update
Annual Crime & Disorder Review
Hub Update
A Music Heritage Strategy for Kidderminster

January 2015

February 2015

Leisure Centre Update
How Are We Doing Q3 update (Place)
Recs from Treasury Management Review Panel (to Council)
Design Supplementary Planning Document

March 2015

April 2015

Leisure Centre Update

2015-2016 Municipal Year

June 2015

Leisure Centre Update

How Are We Doing Q4 update (Housing and Planning)

Terms of Reference - The Overview and Scrutiny Committee

1. Reviews the policies of the Council and the Cabinet and recommends to the Council or the Cabinet:
 - (i) Whether any new policies are required.
 - (ii) Whether any existing policies are no longer required.
 - (iii) Whether any changes are required to any existing policies.
 - (iv) Whether any action is required to make the policies more effective.
2. Reviews the discharge of Cabinet functions, and recommends to the Council or the Cabinet:
 - (i) Whether any action should be taken to improve the economy, efficiency and effectiveness of those functions.
 - (ii) Whether any action should be taken to improve the co-ordination of the various functions within the Authority, or with any other person or body.
 - (iii) Whether the function should continue to be discharged or be discharged in another way.
3. Reviews any decisions or proposed decisions of the Council and of the Cabinet. In undertaking such reviews, the Overview and Scrutiny Committee shall in particular consider:
 - (i) Whether the relevant criteria were used.
 - (ii) Whether the decision is in accordance with the budget and policy framework of the Council.
 - (iii) Whether the decision or action was within the powers of the Authority.
 - (iv) Whether the decision was lawful.
 - (v) Whether the decision contributes to the efficient, effective and economic discharge of the function.
4. Recommendations should all take account of the following:
 - (i) Whether the decision should be reconsidered, and if so, what alternative decision should be taken.
 - (ii) Whether the proposed decision should be taken or taken in a different form.
 - (iii) Whether any further action should be taken in the experience of that decision to ensure proper or better implementation of decisions.
 - (iv) Whether any further actions should be taken in the experience of that decision to improve the manner or quality of decision-making for the future.

5. Considers any matters which affect the Council or its administrative area or the inhabitants of that area and makes recommendations to the Council or the Cabinet arising from that consideration.

6. External Partners

Reviews the performance and effectiveness of the Council's external partner organisations, including the duty to scrutinise the local Crime and Disorder Reduction Partnership.

7. Review Panels

Establishes time limited Review Panels which focus upon specific issues of concern raised by Members through a Scrutiny Proposal Form, consider evidence, and subsequently make recommendations to the Overview and Scrutiny Committee. A protocol for the establishment of Review Panels is attached as Appendix C at section 10 of the Constitution.

8. Review the Forward Plan

Regularly reviews the Forward Plan with a view to deciding which, if any, forthcoming items require consideration.

9. Sets and agrees an Annual Work Programme and prioritises the work of the Committee.

10. Ensures consideration is given to encouraging public participation and engagement in functions of the Committee.

11. Ensures that the views of any invitees and co-opted Members (where appropriate) are taken into account when conducting investigations.

12. Monitors the implementation of scrutiny recommendations.

13. Reviews and scrutinises relevant public bodies and partners in the District, including the Council's contribution and relationship with them. Where necessary, requesting them to address overview and scrutiny about their activities, performance, particular decisions, initiatives or projects.