

Open

Overview & Scrutiny Committee

Agenda

6pm
Thursday, 2nd February 2017
Council Chamber
Wyre Forest House
Finepoint Way
Kidderminster



Overview & Scrutiny Committee

Members of Committee:

Chairman: Councillor H E Dyke
Vice-Chairman: Councillor M Rayner

Councillor J R Desmond
Councillor N Gale
Councillor A T Hingley
Councillor S J Walker

Councillor P Dyke
Councillor K Henderson
Councillor D Little
Councillor S J Williams

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, Principal 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, 2nd February 2017

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, 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 1 st December 2016.	6
5.	How Are We Doing? Performance Update To consider a report from the Business Improvement Officer which provides an update on the performance of the Council for Quarter 3 (from 1 st October to 31 st December 2016).	9
6.	Treasury Management Strategy 2017-18 To consider a report from the Chief Financial Officer which provides Members with background information on the Chartered Institute of Public Finance (CIPFA) Prudential Code for Capital Finance in Local Authorities (Prudential Code), and seeks approval for the restated Prudential Indicators and Limits and the Council's Treasury Management Strategy Statements.	32
7.	Local Transport Plan 4 Consultation To receive a presentation from Worcestershire County Council on the Local Transport Plan 4 Consultation.	-

8.	Lion Fields, Kidderminster – Development Proposals To consider a report from the Head of Economic Development & Regeneration - North Worcestershire which invites the Committee to consider the next steps in bringing forward re-development proposals for Lion Fields, which forms part of the Kidderminster Eastern Gateway Development Framework.	77
9.	Feedback from Cabinet To note the content of the Cabinet action list, following consideration of the recommendations from its meeting on 20 th December 2016.	95
10.	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.	96
11.	Press Involvement To consider any future items for scrutiny that might require publicity.	
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.	
13.	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

14.	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, 1ST DECEMBER 2016 (6PM)

Present:

Councillors: H E Dyke (Chairman), M Rayner (Vice-Chairman), J R Desmond, P Dyke, N Gale, K Henderson, A T Hingley, D Little, S J Walker and S J Williams.

Observers

Councillors: N J Desmond, M J Hart, N Knowles, S Miah, J D Smith and R J Vale.

The Chairman announced a revised running order for the agenda in that item 6 would be taken before item 5.

OS.51 Apologies for Absence

There were no apologies for absence.

OS.52 Appointment of Substitutes

No substitutes were appointed.

OS.53 Declarations of Interests by Members

No declarations of interest were made.

OS.54 Minutes

Decision: The minutes of the meeting held on 3rd November 2016 be confirmed as a correct record and signed by the Chairman.

OS.55 Wyre Forest District Buskers Code

The Committee received a report from the Town Centres Manager which asked Members to consider a new policy to regulate buskers across the District (principally in Kidderminster Town Centre).

The Town Centres Manager led Members through the report and advised that Kidderminster was beginning to attract a number of buskers and it was anticipated that this trend would continue as further redevelopment of the Town Centre took place. He added that having a framework in place would assist in dealing with complaints, particularly where a disturbance was caused to businesses and customers were put off from visiting retail premises.

A discussion ensued and Members welcomed the code as it set out what the

Council expected from buskers in a clear and concise manner. Members agreed that it would be beneficial if a reference to buskers not being under the influence of drink or drugs whilst performing could be included in the code.

Agreed: Recommend to Cabinet:

- 1. The code be amended to include a reference to buskers not being under the influence of drink or drugs whilst performing.**
- 2. The code, as amended, forms the guidance the Council puts in place for Buskers.**

OS.56 Car Parking Review

The Committee received a report from the Director of Community Well-being and Environment which asked Members to consider a series of proposals put forward following a review of the approach to car parking designation and charges which was undertaken as part of the initial work on the financial strategy.

The Director of Community Well-being and Environment led Members through a power point presentation which set out the reasons for the review. Members were advised that income generated from car parking represented a significant contribution to the external income received by the Council, and the proposed changes were designed to simplify the existing system and make it more accessible with the introduction of an online digital service for season ticket users.

A robust debate ensued and during the discussions several concerns were raised about the proposals, including the withdrawal of the town day free parking initiative and the perceived lack of supporting evidence surrounding the proposal.

Upon a show of hands the recommendation to Cabinet was agreed (6 in favour 4 against).

Agreed: Recommend to Cabinet:

The Overview and Scrutiny Committee endorse the proposals as set out in the report.

OS.57 Feedback from Cabinet

Agreed: The content of the Cabinet decision list following consideration of the recommendations from its meeting on 22nd November 2016 be noted.

OS.58 Work Programme

The Committee considered the work programme for the remainder of the municipal year. Members were reminded to submit any suggestions for future scrutiny items to the Chairman.

Agreed: The work programme be noted.

OS.59 Press Involvement

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

There being no further business, the meeting ended at 7.02pm.



Overview & Scrutiny Committee

Briefing Paper

Report of: Rhiannon Foxall, Business Improvement Officer
Date: Thursday 2nd February 2017
Open

How Are We Doing? Performance Update

1. Summary

- 1.1 To update Members on the performance of the Council for Quarter 3 (from 1st October 2016 to 31st December 2016).

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 [‘Place’](#).
- 3.3 **Appendix 3** is a [summary of the achievements](#) of Bewdley Museum during 2016/17.
- 3.4 **Appendix 4** is an [update regarding anti-social behaviour](#).

4. Key Achievements/Issues

- 4.1 There are currently four overdue actions within the Wyre Forest Forward Programme. These are:

- Wyre Forest House
- Crown House
- Stourport Canal Basins
- Eastern Gateway.

The current status of these actions can be found at appendix 1.

- 4.2** Bewdley Museum continues to increase its visitor numbers as well as offering a more comprehensive programme of events. Improvements to the on-site shop and the development of a wedding package have also helped to secure a steady income stream. A more detailed summary of work that has been undertaken at the museum can be found at Appendix 3.
- 4.3** Perception of anti-social behaviour as a problem has continued to decrease over the last two years. The Community Safety and Partnerships Officer has provided an update regarding anti-social behaviour which can be found at Appendix 4.

5. Options

- 5.1 That the progress in performance for quarter 3 be noted.

6. Consultation

- 6.1 Leader of the Council
- 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 ‘Place’ report
12.3 Appendix 3 – Bewdley Museum Summary
12.4 Appendix 4 – Anti-social behaviour update

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
Contact Number: Ext. 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 16/17 05 Wyre Forest House  

Due Date	Managed By	Latest Note	Latest Note Date
31-Mar-2014	Ian Miller	All cellular offices in the Business Executive Suite including where the Executive Support Officer were based are now occupied by tenants. Further works on fire alarm awaited by Thomas Vale. Working with RLB project managers on review of progress, including heating/cooling of chamber, to inform discussions with contractor.	17-Jan-2017

Make good development happen

WFF 16/17 16 Crown House  

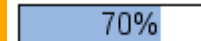
Due Date	Managed By	Latest Note	Latest Note Date
30-Sep-2016	Mike Parker	Thomas Lister completed Viability Assessment of mixed retail and residential scheme; return on costs and potential income stream too low for commercial viability. Further discussion ongoing with Telereal Trillium to explore possible ways forward; TT considering Council's Viability Appraisal with a view to suggesting an alternative proposal.	15-Dec-2016

WFF 16/17 30 Stourport Canal Basins  

Due Date	Managed By	Latest Note	Latest Note Date
31-Dec-2016	Mike Parker	Still awaiting H2O Viability Appraisal.	15-Nov-2016

WFF 16/17 31

Eastern Gateway



Due Date	Managed By	Latest Note	Latest Note Date
31-Dec-2016	Mike Parker	Demolition contract let to AR Demolition who took possession of the site 12th December. Following successful expressions of interest in redevelopment, officers working with Savills on next stage of formal submissions. Expected reports to O & S and Cabinet in February to set out next steps.	15-Dec-2016

KEEP MY PLACE SAFE AND LOOKING GOOD

This report details the progress we have made against our purpose of 'keep my place safe and looking good'.

Actions

Listed below is the progress against our current major projects that support the delivery of our purpose of 'keep my place safe and looking good'.



WFF 16/17 14

Public Sector Carbon Management Programme

36%



Due Date	Managed By	Latest Note	Latest Note Date
31-Mar-2017	Mike Parker	Business case for Bewdley Museum heating continues to prove challenging due to currently unheated areas potentially rendering a business case unfeasible as well as increasing carbon emissions rather than reducing. Works ongoing to see whether there is a workable	08-Nov-2016

solution to support a business case. Business cases for Town Hall and Depot heating also need investigating for viability. Miscellaneous lighting (of car parks, public conveniences etc) also challenging to develop a viable business case due to length of payback period. Some smaller scale miscellaneous projects are emerging such as the Econospeed accelerator limiter for refuse vehicles where a business case for investment (less than £25k) has been approved for a payback in fuel economy of less than 18 months. Carbon Management Team is reviewing internal resources with a view to how progress with business case development can be accelerated.

WFF 16/17 66

Development of car parking spaces Load Street car park

25%



Due Date	Managed By	Latest Note	Latest Note Date
31-Mar-2017	Steve Brant; Linda Draycott	Contract entered for demolition and layout of new parking facility. As at December 2016 all utilities have been disconnected and certified ready for demolition. Initial asbestos inspections have been undertaken. Currently awaiting full design plans to sign off all prestart conditions. Liaising with Bewdley Town Council over design and transfer of Green Open Space, together with St George's Hall regarding pedestrian walkway. Mobilization on site for demolition W/C 9th January 2017.	29-Dec-2016

WFF 16/17 67

Brinton Park HLF application

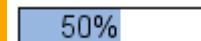
60%



Due Date	Managed By	Latest Note	Latest Note Date
31-Mar-2017	Steve Brant; Linda Draycott	Stage 1 bid currently being finalised for submission in February 2017. Match funding of £200k identified, further consultation and partnership liaison ongoing.	09-Jan-2017

WFF 16/17 68

Green street depot 2020 improvement and investment plan



Due Date	Managed By	Latest Note	Latest Note Date
31-Mar-2020	Linda Draycott	Budget identified. Awaiting formal ratification at February Council.	18-Jan-2017

Cross cutting Actions

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

WFF 16/17 19

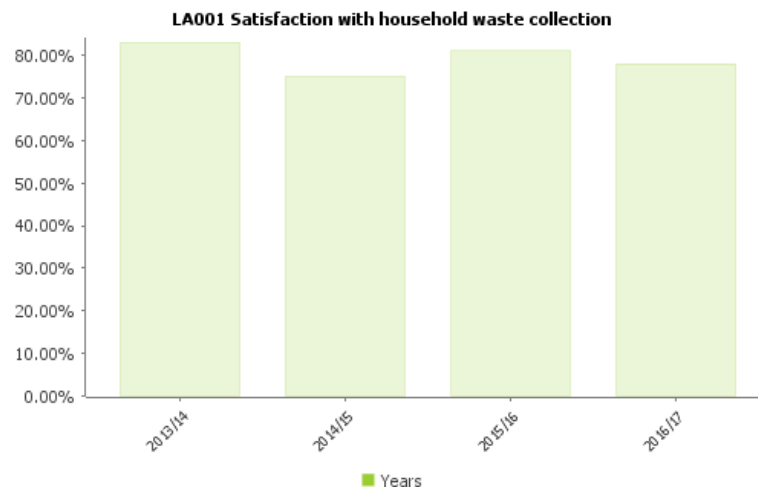
Kidderminster Town Centre Public Realm Framework

Measures

As a way of measuring the progress with our purpose, we collect key data to monitor trends and patterns. This data not only helps us to understand the impact of the work that we are doing but it also assists with decision making at a corporate level. The latest available data is detailed below:

LA001 Percentage of people expressing satisfaction with the household waste collection service overall

Aim to
Maximise



Current
Value 78.00%



Managed By Steve Brant

LA002 Percentage of people expressing satisfaction with doorstep recycling

Aim to
Maximise



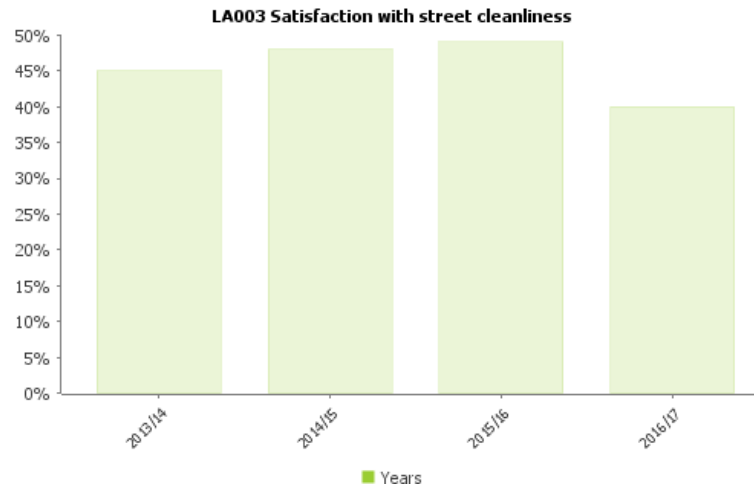
Current
Value 71.00%



Managed By Steve Brant

LA003 Satisfaction with street cleanliness

Aim to
Maximise



Current
Value

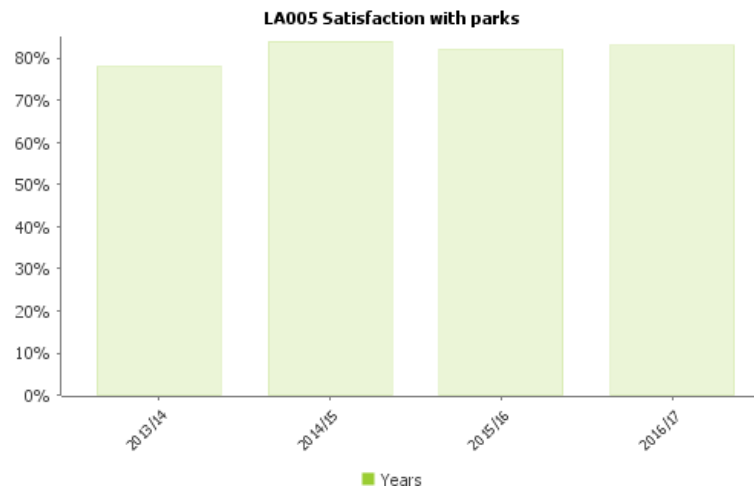
40%



Managed By Steve Brant

LA005 Satisfaction with parks

Aim to
Maximise



Current
Value

83%



Managed By Steve Brant

LA064 Cost of waste collection per household
BV086

Aim to
Minimise



Current
Value

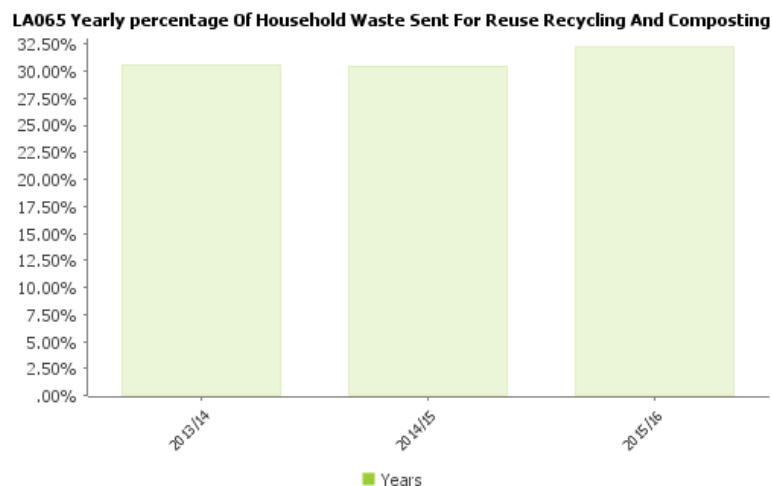
£39.69



Managed By Steve Brant

LA065 Percentage of household waste sent for reuse, recycling, composting or anaerobic digestion. Measure of local authorities' progress in moving management of household waste up the hierarchy, consistent with the Government's national strategy for waste management.

Aim to
Maximise



Current
Value

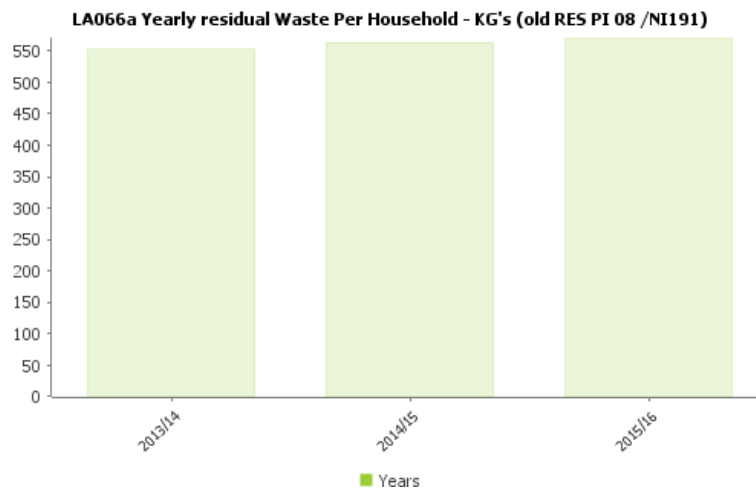
32.26%



Managed By Steve Brant

LA066a Yearly residual Waste Per Household – KG's The Government wishes to see a year on year reduction in the amount of residual waste (through a combination of less overall waste and more reuse, recycling and composting of the waste that households produce). This indicator monitors an authority's performance in reducing the amount of waste that is sent to landfill, incineration or energy recovery.

Aim to
Minimise



Current
Value

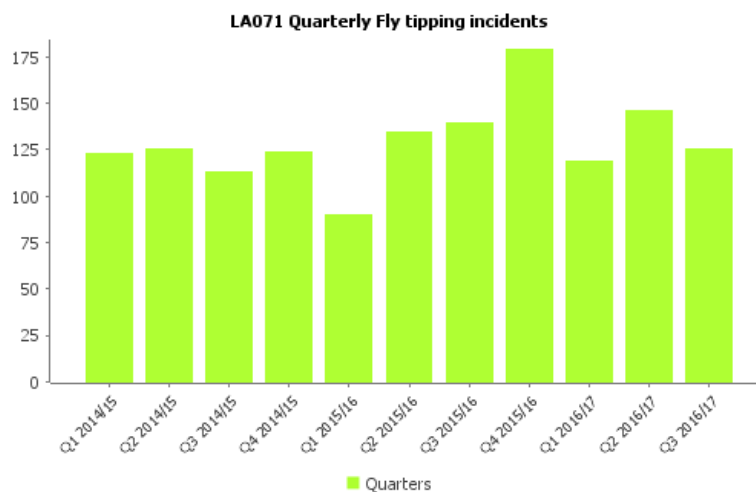
570



Managed By Steve Brant

LA071 Quarterly Fly tipping incidents

Aim to
Minimise



Current
Value

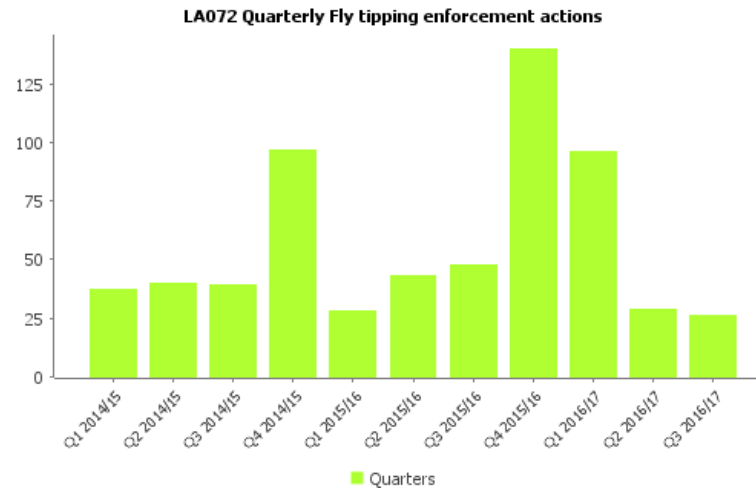
125



Managed By Steve Brant

LA072 Quarterly Fly tipping enforcement actions

Aim to
Minimise



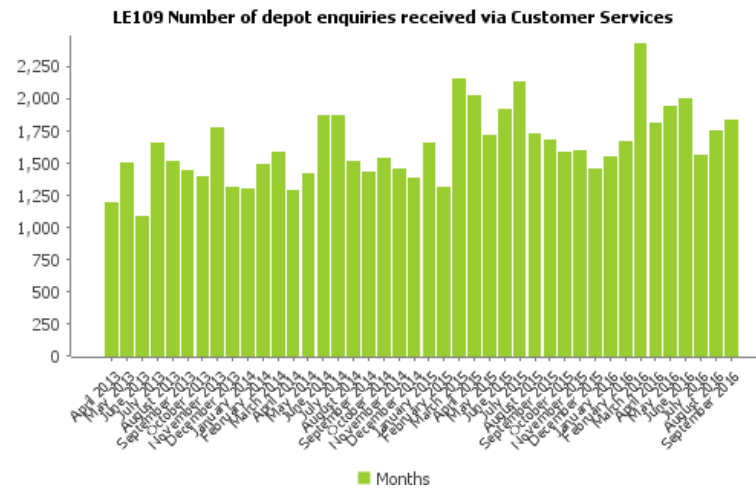
Current Value 26



Managed By Steve Brant

LE109 Number of depot enquiries received via Customer Services

Aim to
Minimise



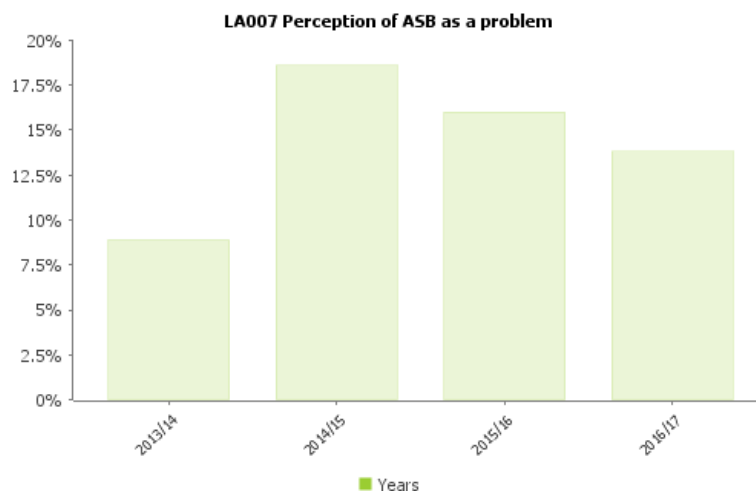
Current Value 1,830



Managed By Steve Brant

Agenda Item No. 5 Appendix 2

LA007 Viewpoint survey response on perception of ASB as a problem
Aim to Minimise

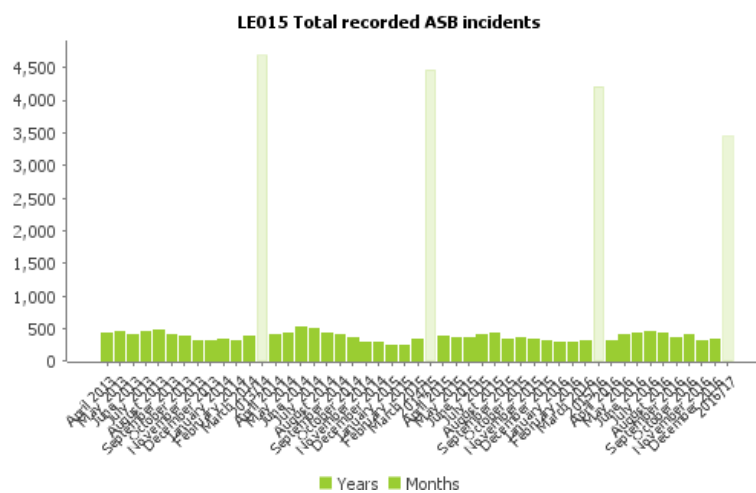


Current Value 13.8%



Managed By Kathryn Underhill

LE015 Total recorded ASB incidents
Aim to Minimise



Current Value 327

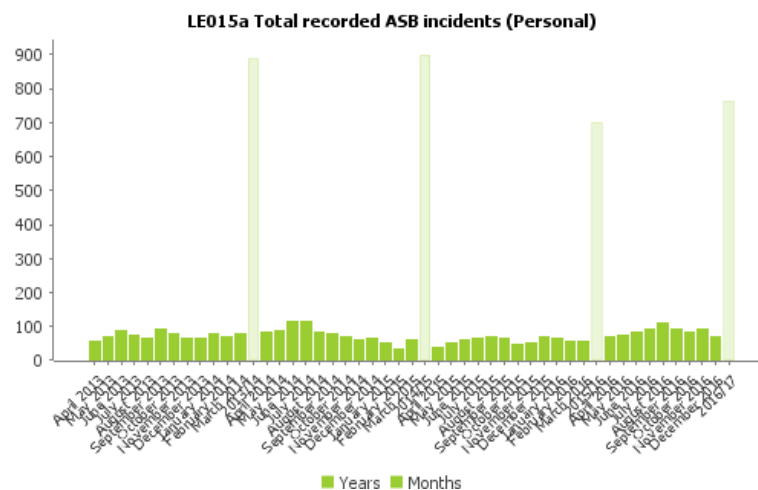


Managed By Kathryn Underhill

Agenda Item No. 5 Appendix 2

LE015a Total Recorded ASB Incidents (personal)

Aim to Minimise



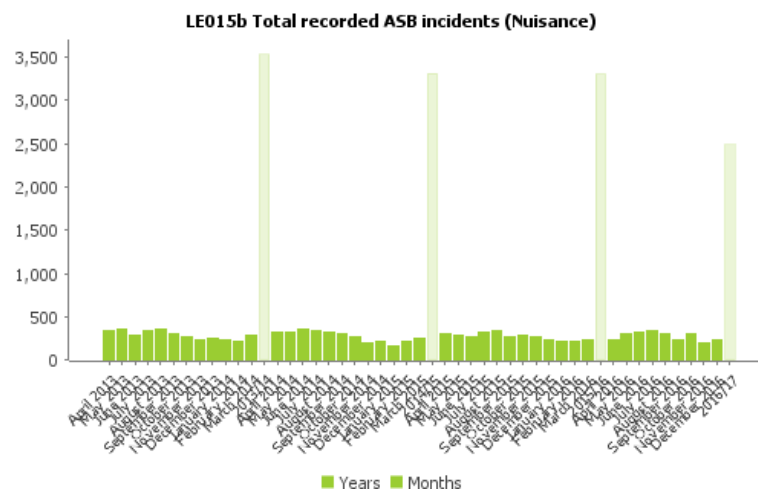
Current Value 69



Managed By Kathryn Underhill

LE015b Total recorded ASB incidents (Nuisance)

Aim to Minimise



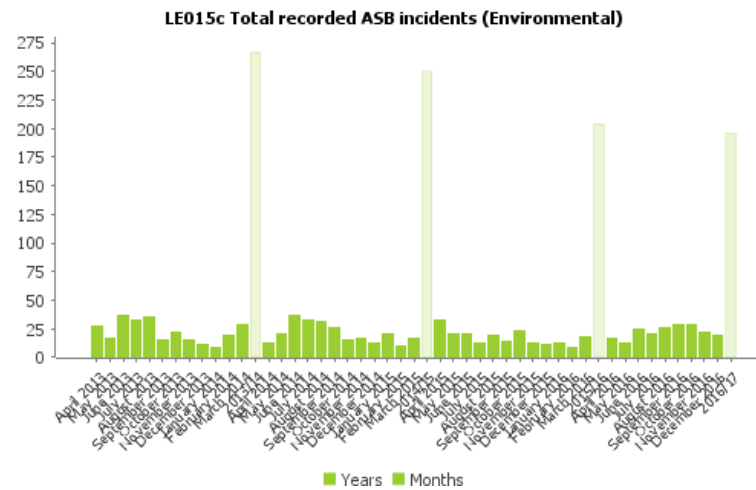
Current Value 239



Managed By Kathryn Underhill

LE015c Total recorded ASB incidents
(Environmental)

Aim to
Minimise



Current
Value

19



Managed By Kathryn
Underhill

ENSURE THAT THERE ARE GOOD THINGS FOR ME TO DO, SEE AND VISIT

This report details the progress we have made against our purpose of 'ensure that there are good things for me to do, see and visit'.

Actions

Listed below is the progress against our current major projects that support the delivery of our purpose of 'ensure that there are good things for me to do, see and visit'.



WFF 16/17 44

Bewdley Museum Development

85%



Due Date	Managed By	Latest Note	Latest Note Date
31-Mar-2017	Kay Higman	Development of wedding package Brochure and website nearly completed. Wedding licence application approved. Refurbishment of Guildhall almost complete.	09-Jan-2017

Guildhall

Redecoration and blinds complete. Floor covering still to be actioned.

Improvement of sales/income at TIC

Income increased by development of shop and stock.

Cross cutting Actions

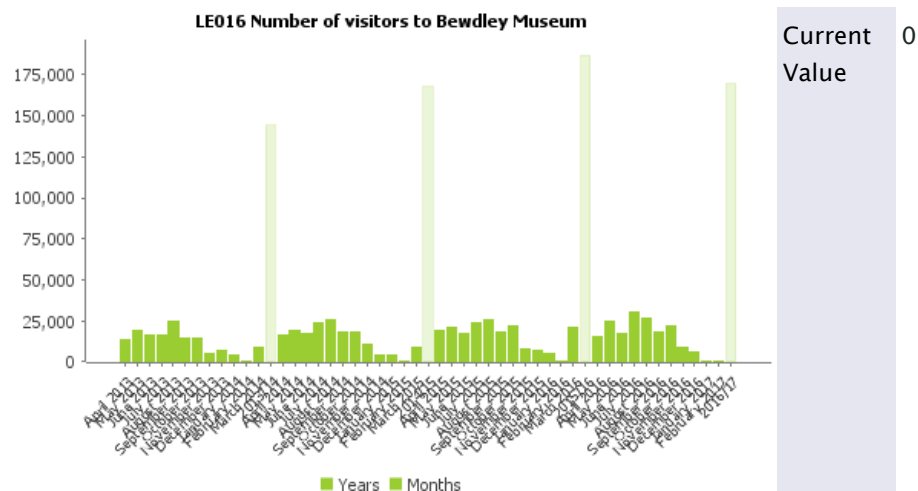
Listed below are primary actions for other purposes but also impact on this purpose:

WFF 16/17 07	New Leisure Centre
WFF 16/17 30	Stourport Canal Basins

Measures

As a way of measuring the progress with our purpose, we collect key data to monitor trends and patterns. This data not only helps us to understand the impact of the work that we are doing but it also assists with decision making at a corporate level. The latest available data is detailed below:

LE016 Number of visitors to Bewdley Museum Aim to Maximise



Managed By Kay Higman

Cross cutting measures

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

LA028 National survey on participation rates – Sport England

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

LE032 Participation rates in sport/leisure facilities – Wyre Forest Leisure Centre

Bewdley Museum 2016

Our 2016/17 season has seen yet another jump in visitor numbers to 190,231 which is 16,000 ahead of the previous year. This is really pleasing because of the parking issues in town plus the two months of church scaffolding which affected the flow of traffic through the town with road closures.

The museum continues to be popular venue that offers something for all ages and groups of people. We continue to attract a mix of local and national visitors and many post excellent feedback on trip advisor and face book. Highlights for this season are;

- We had a hugely successful One Grain interactive exhibition during the summer with a resident artist on site leading research into objects with members of the public and community groups. This brought an additional 8000 people to the Foundry area.
- Our cafe produces fresh and original food and has a regular group of customers as well as attracting new visitors. The numbers have increased year on year and we benefit from this financially. We are also able to offer pre performance meals and a bar at our ticketed events.
- We have had several ticketed performances in the gardens; Ratburger by David Walliams in June was very popular with 225 tickets sold and The Tempest in July with 210 tickets sold. The gardens are a beautiful venue for productions and we are planning more of these to boost our commercial income.
- We have developed our own education and groups programmes this year with children on site for blitz and evacuation, river and rail plus bespoke combinations of workshops. This has enabled us to increase our income by almost 40% because we are delivering with our own staff and no longer buying in this provision.
- Our activities programme for children in the school holidays is still extremely popular, regularly attracting 60 children per day. These as with all of our education groups generate income for us. They also bring in parents and grandparents who shop, have coffee or just wander into one of our exhibitions.
- The shop at the front of the museum has been revamped within its limited current layout, the TIC staff have transformed the layout and stock and it now looks like a heritage shop.
- Sales in the shop have soared as we are offering a much larger range of gift, food and craft items. This will continue to develop and go from strength to strength generating income.
- Our entrance had a complete makeover to include new lights and banners. We wanted to make the entrance bright and welcoming and we have managed to achieve this.
- We gained our wedding license and can now have ceremonies in the Guildhall and Green Theatre. We also had two receptions in the courtyard and gardens and which brought in a different group of people. From these we have gained a great deal of experience and also had a number of referrals for future weddings. We have been working together with the Town Hall in Kidderminster to develop a wedding package for the Wyre Forest.
- Our gardens continue to attract people and we are developing more information for the horticulturalists and enthusiasts who love to know the names of the plants and herbs and the uses for them. Many people mention the gardens in our feedback and how much they love to visit them.

- Our team has worked extremely hard to make sure the visitor experience is exceptional and the programmes we offer are relevant and varied .As we go in to our new season the museum and TIC is in great position to maximise its income streams and hit that 200,000 visitor target!

Alison Bakr
Museum Manager
January 2017

Anti Social Behaviour Update January 2017

Performance Indicators

Perception of ASB a problem
Total recorded ASB incidents
Total recorded ASB incidents - personal
Total recorded ASB incidents - nuisance
Total recorded ASB incidents - environmental

ASB is defined as 'Behaviour by a person which causes or is likely to cause harassment, alarm or distress to one or more persons not of the same household as the person'.

(Antisocial Behaviour Act 2003 & Police Reform and Social Responsibility Act 2011)

ASB is classified under three headings as 'Personal', 'Nuisance' and 'Environmental' in line with the National Standard for Incident Recording (NSIR).

Personal - ASB is perceived to be targeted at an individual or group rather than the community at large.

Nuisance - ASB is causing trouble, annoyance or suffering to the community at large rather than an individual or group.

Environmental - The incident is not aimed at an individual or group but targets the wider environment, e.g. public spaces/buildings.

Wyre Forest Activity

In 2016, the following took place to help tackle anti social behaviour:

- North Worcestershire Community Safety Partnership (NWCSP) funded detached youth work in Stourport during the summer holidays. This was in response to an increase in ASB. This will be fully evaluated as part of the NWCSP's end of year report.
- Similar sessions were replicated at October half term in the same location by the Stourport Safer neighbourhood Team.
- NWCSP provided financial support to Wyre Forest District Council for flytipping cameras. An evaluation will be included as part of the NWCSP's end of year report.
- Team Wyre Forest was established in January 2016. ASB in the town centres is one of the areas that colleagues look to address. Further awareness raising work of the Kidderminster Town Centre Public Spaces Protection Order has been undertaken to reiterate its purpose and to ensure it is fully understood. NWCSP has funded the establishment of the Bewdley Street Pastors and continues to support the Kidderminster Street Pastors scheme, which it funded in 2012.

- The Community Safety Team continues to be contacted by members of the public requiring support and advice for ASB issues. On average they receive 2 'contacts' a week.
- In 2016/17, the Community Safety Team co-ordinated one Community Trigger. Further action was taken and the matter was resolved to the satisfaction of the complainant.
- The Wyre Forest ASB Case Management Group was established in June 2016. The Group assesses repeat victims of ASB, considers offenders and locations of concern and puts actions into place. The Group is chaired by the North Worcestershire Harm Hub Sergeant from West Mercia Police and has multi agency membership including Wyre Forest District Council and three Housing Associations. High risk victims of ASB have their risk management plans discussed at the Group and partners offer additional support, where appropriate.
- NWCSF is preparing its Partnership Plan for 2017/20. Anti Social Behaviour and protecting vulnerable people will continue to be a priority.

West Mercia Police and changes to the ASB process

In October 2016, West Mercia Police undertook a significant change of process in relation to ASB incidents. In previous times, an ASB related incident could be closed down without any form of supervision to ensure that this course of action was correct. This has now changed.

Whenever an incident of personal ASB is reported to West Mercia Police, the attending officer is required to fill out a risk assessment with the person who has been made a victim of the behaviour. This risk assessment establishes if that person is high, medium or standard risk based on their answers to the risk assessment questions. Those deemed high risk are placed on a risk management plan and will receive visits from the SNT for their area until such time that the issue is resolved or the risk is lowered sufficiently. Part of the work carried out by the Harm Hub is that they will review all ASB incidents to ensure that risk assessments have been completed. This means that scrutiny is provided to those ASB incidents which previously would have remained unactioned.

WYRE FOREST DISTRICT COUNCIL**OVERVIEW AND SCRUTINY COMMITTEE****2ND FEBRUARY 2017****Treasury Management Strategy 2017-18**

OPEN	
CABINET MEMBER:	Councillor N J Desmond
RESPONSIBLE OFFICER:	Chief Financial Officer
CONTACT OFFICERS:	Tracey Southall - Ext. 2100 tracey.southall@wyreforestdc.gov.uk Lisa Hutchinson - Ext. 2120 lisa.hutchinson@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - MRP Strategy Appendix 2 - Interest Rate Forecasts Appendix 3 - Prudential and Treasury Indicators Appendix 4 - Economic Background Appendix 5 - Specified and Non Specified Investments Appendix 6 - Approved Countries for Investments Appendix 7 - Treasury Management Scheme of Delegation Appendix 8 - The Treasury Management Role of the Section 151 Officer

1. PURPOSE OF REPORT

- 1.1 To provide Members with background information on the Chartered Institute of Public Finance (CIPFA) Prudential Code for Capital Finance in Local Authorities (Prudential Code).
- 1.2 To restate the Prudential Indicators and Limits for the financial years 2017-18 to 2019-20 and set out the expected treasury operations for this period.
- 1.3 To seek approval for the Council's Treasury Management Strategy Statement for the period 1st April 2017 to 31st March 2018 that sets out how the Council's treasury service will support the capital decisions taken, the day to day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the Authorised Limit, the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. This is the Affordable Borrowing Limit required by Section 3 of the Local Government Act 2003 and is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code.
- 1.4 To seek approval for the Council's Investment Policy and Strategy Statement for the period 1st April 2017 to 31st March 2018 that sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss.

- 1.5 To seek approval for the Council's Minimum Revenue Provision Policy Statement for the period 1st April 2017 to 31st March 2018 that sets out the Council's criteria for repayment of Prudential Borrowing.
- 1.6 This proposed strategy was endorsed by the Treasury Management Review Panel on 1st February 2017, who commended to the Overview and Scrutiny Committee to recommend that February Council gives approval to this key strategy. This is in compliance with the CIPFA Treasury Management Code of Practice.
- 1.7 To fulfil four key legislative requirements:
 - The reporting of the Prudential Indicators as required by the CIPFA Prudential Code;
 - The Treasury Management Strategy Statement in accordance with the CIPFA Code of Practice on Treasury Management and CIPFA Prudential Code;
 - The Investment Policy and Strategy Statement (in accordance with Communities and Local Government (CLG) investment guidance);
 - The Minimum Revenue Provision (MRP) Policy Statement (as required by Regulation under the Local Government and Public Involvement in Health Act 2007).

2. RECOMMENDATIONS

Overview and Scrutiny Committee recommends to Council to:

- 2.1 **Approve the restated Prudential Indicators and Limits for the financial years 2017-18 to 2019-20 included in Appendix 3. These will be revised for the February 2017 Council meeting, as per paragraph 7.3 of this report, following any changes to the Capital Programme brought about as part of the budget process other than those proposed by Cabinet on 20th December 2016.**
- 2.2 **Approve the updated Treasury Management and Investment Policy and Strategy Statements for the period 1st April 2017 to 31st March 2018 (the associated Prudential Indicators are included in Appendix 3 and the detailed criteria is included in Section 10 and Appendix 5).**
- 2.3 **Approve the Minimum Revenue Provision (MRP) Statement that sets out the Council's policy on MRP included in Appendix 1.**
- 2.4 **Approve the Authorised Limit Prudential Indicator included in Appendix 3.**

3. BACKGROUND

- 3.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

3.2 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 that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

3.3 **CIPFA defines treasury management 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."

3.4 **Reporting Requirements**

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

- **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report covers:
 - the capital plans (including prudential indicators);
 - a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
 - the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
 - an investment strategy (the parameters on how investments are to be managed).
- **A mid year treasury management report** – This updates members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision.
- **An annual treasury report** – This provides details of the actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

3.5 **Scrutiny**

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Treasury Management Review Panel who makes recommendations to the Overview and Scrutiny Committee.

3.6 **Treasury Management Strategy for the period 1st April 2017 to 31st March 2018**

The strategy for 2017-18 covers two main areas:

1. Capital Issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) strategy.

2. Treasury management Issues

- the current treasury position;
- treasury indicators which will limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

4. TREASURY LIMITS FOR THE PERIOD 1st APRIL 2017 to 31st MARCH 2018

- 4.1 It is a statutory duty under Section 3 of the Act and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the “Affordable Borrowing Limit”. In England and Wales the Authorised Limit represents the legislative limit specified in the Act.
- 4.2 The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax levels is ‘acceptable’.
- 4.3 Whilst termed an “Affordable Borrowing Limit”, the capital plans to be considered for inclusion, incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and three successive financial years, details of the Authorised Limit can be found in Appendix 3 of this report.

5. CURRENT PORTFOLIO POSITION

5.1 The Council's treasury portfolio position at 6th January 2017 comprised:

Investments Held With	As at 6 th January 2017 £	Average Rate of Return	Duration
Lloyds Bank	576,030	0.15%	Instant Access
Santander	150,000	0.15%	Instant Access
Svenska Handelsbanken	2,245,000	0.20%	Instant Access
Standard Life Money Market Fund	4,000,000	Variable (0.24% on 06/01/17)	Instant Access
Black Rock Money Market Fund	4,000,000	Variable (0.27% on 06/01/17)	Instant Access
Federated Prime Money Market Fund	2,000,000	Variable (0.24% on 06/01/17)	Instant Access
Federated Prime Short Term Cash Fund	2,000,000	Variable (average 0.60% for the period April 2015 to December 2016)	Trade plus 1 day
Santander	1,000,000	0.65%	95 days notice
Santander	2,000,000	0.80%	120 days notice
Lloyds Bank	1,000,000	0.65%	Fixed to 28/02/17 (6 months)
Lloyds Bank	1,000,000	0.65%	Fixed to 06/03/17 (6 months)
Lloyds Bank	1,000,000	0.65%	Fixed to 28/04/17 (6 months)
Nationwide Building Society	1,000,000	0.48%	Fixed to 01/02/17 (6 months)
Nationwide Building Society	1,000,000	0.32%	Fixed to 16/03/17 (4 months)
Nationwide Building Society	1,000,000	0.28%	Fixed to 16/03/17 (3 months)
Barclays Bank	1,000,000	0.42%	Fixed to 01/03/17 (6 months)
Barclays Bank	1,000,000	0.26%	Fixed to 23/03/17 (3 months)
UBS AG Bank Certificate of Deposit (CD)	1,000,000	0.67%	Fixed to 11/09/17 (12 months)
Total £	26,971,030		

5.2 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 recovered almost 97% of the £3million that it had deposited.

The table below details the latest position regarding the Council's remaining two Icelandic investments. Fourteen dividends have been paid by KSF to date, reducing the principal investment to £787,500. Fifteen dividends have been paid by Heritable to date, reducing the principal investment to £20,357. A full and final distribution is still awaited in respect of the latter investment.

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	4,344,249	812,129	787,500
Heritable Bank	1,000,000	31,110	1,031,110	1,010,488	20,622	20,357
Total	6,000,000	187,488	6,187,488	5,354,737	832,751	807,857

6. **BORROWING REQUIREMENT**

- 6.1 The Council's Capital Financing Requirement (CFR), its underlying borrowing requirement, is detailed below. Capital expenditure was originally approved by Council on 24th February 2016; slippage in the Capital Programme is now factored into the Prudential Indicators included in this report along with the impact of changes to the Capital Programme proposed by Cabinet on 20th December 2016. These changes include the impact of the £35m maximum allocation for the new policies on Loans to Third Parties (£10m) and the Capital Portfolio Fund (£25m) in 2017-18.

	2015-16 Actual £'000	2016-17 Estimate £'000	2017-18 Estimate £'000	2018-19 Estimate £'000	2019-20 Estimate £'000
Capital Financing Requirement as at 31st March	14,146	18,975	56,476	55,787	54,745

7. **PRUDENTIAL AND TREASURY INDICATORS FOR THE PERIOD 1st APRIL 2017 to 31st MARCH 2018**

- 7.1 Prudential and Treasury Indicators (as set out in Appendix 3 to this report) are relevant for the purposes of setting an integrated treasury management strategy.
- 7.2 The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. This Council adopted the Code of Practice on Treasury Management on 27th February 2003 C90 (10), and as a result adopted a Treasury Management Policy Statement (Executive 13th February 2003 ED.223). The November 2011 revision of the Code was adopted by Council on 29th February 2012.
- 7.3 Within the Budget Report to Council in February 2017, revised Prudential Indicators 2017-18 to 2019-20 will be presented for approval (see Recommendation 2.1 of this report).

8. **BORROWING STRATEGY**

- 8.1 The Council has undertaken external borrowing to fund the CFR and will continue to do so for any future unsupported capital expenditure.

The Council's external borrowing position at 6th January 2017 totalled £15m, detailed below:

Lender	Principal	Date	Type	Interest Rate	Maturity
PWLB	£1m	15/03/13	Fixed interest rate	2.62%	15/03/22 (9 years)
PWLB	£1m	02/04/13	Fixed interest rate	1.52%	02/04/18 (5 years)
PWLB	£1m	29/07/14	Fixed interest rate	3.99%	29/07/33 (19 years)
PWLB	£1m	20/10/14	Fixed interest rate	3.54%	20/10/56 (42 years)
PWLB	£1m	02/12/14	Fixed interest rate	3.44%	02/12/39 (25 years)
PWLB	£1m	20/01/15	Fixed interest rate	2.99%	20/01/39 (24 years)
PWLB	£1m	04/02/15	Fixed interest rate	2.87%	04/02/41 (26 years)
PWLB	£1m	04/02/15	Fixed interest rate	2.80%	04/02/37 (22 years)
PWLB	£1m	08/04/15	Fixed interest rate	2.96%	08/04/35 (20 years)
PWLB	£1m	02/07/15	Fixed interest rate	3.35%	02/07/32 (17 years)
PWLB	£1m	20/07/15	Fixed interest rate	3.40%	20/07/31 (16 years)
PWLB	£1m	29/07/15	Fixed interest rate	3.13%	29/07/30 (15 years)
PWLB	£1m	06/08/15	Fixed interest rate	2.96%	06/08/28 (13 years)
PWLB	£1m	02/02/16	Fixed interest rate	2.99%	02/02/63 (48 years)
PWLB	£1m	24/06/16	Fixed interest rate	2.21%	24/06/26 (10 years)
Total	£15m				

- 8.2 **Prospects for Interest Rates: View provided by Capita Asset Services - Treasury Solutions**

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

Capita Asset Services Interest Rate View													
	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank Rate View	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
3 Month LIBID	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%
6 Month LIBID	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%
12 Month LIBID	0.70%	0.70%	0.70%	0.70%	0.70%	0.80%	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%
5yr PWLB Rate	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB Rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB Rate	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB Rate	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
Bank Rate													
Capita Asset Services	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
Capital Economics	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.50%
5yr PWLB Rate													
Capita Asset Services	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
Capital Economics	1.60%	1.70%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.70%	2.80%	2.90%	3.00%
10yr PWLB Rate													
Capita Asset Services	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
Capital Economics	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	3.10%	3.20%	3.30%	3.40%
25yr PWLB Rate													
Capita Asset Services	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
Capital Economics	2.95%	3.05%	3.05%	3.15%	3.25%	3.25%	3.35%	3.45%	3.55%	3.65%	3.75%	3.95%	4.05%
50yr PWLB Rate													
Capita Asset Services	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
Capital Economics	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.60%	3.70%	3.80%	3.90%

Capita has also provided a detailed Economic Background, see Appendix 4.

8.3 Against this background and the risks within the economic forecast, caution will be adopted with the 2017-18 treasury operations. The Chief Financial Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.*
- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the US and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

Any decisions will be reported to the Treasury Management Panel, Overview and Scrutiny Committee and Cabinet at the next available opportunity.

8.4 In view of the above forecast the Council's borrowing strategy will be to consider all suitable options and take advantage of the most attractive rates available, both from the PWLB and from the Market, including other Local Authorities and other bodies as relevant, as and when required.

8.5 Policy On Borrowing In Advance Of Need

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

In determining whether borrowing will be undertaken in advance of need the Council will:

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- consider the merits and demerits of alternative forms of funding
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use
- consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk and other risks and the level of such risks given the controls in place to minimise them

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

8.6 Municipal Bond Agency

The Municipal Bond Agency, has now been established and could be offering loans to local authorities in the near future. It is also hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). The Chief Financial Officer may consider the use of this new source of borrowing as and when appropriate and will continue to monitor progress of this new potential treasury partner. Any arrangement will be subject to compliance with the approved treasury policy in accordance with standard practice.

8.7 Property Investment Funds

Property funds are a vehicle for investing funds and diversifying investments. The Council currently has no investments within these types of funds, but is continuing to review the suitability of this option. Property funds should be seen as a medium to long term investment (5 years minimum) to ensure that the full benefit of the return is seen, and to also ensure that any entry fees, annual management fees and exit costs are covered over the life of the investment. Any fund of this nature incurs costs, and these vary depending on the type of fund. Property funds can provide a regular return on the initial investment amount. As a result of the increased durations required to increase the yield a revision to our treasury strategy is necessary, as set out in paragraph 10.2 and Appendix 5 to provide the Chief Financial Officer with the flexibility to consider the use of this non-specified investment if appropriate. Any arrangement will be subject to compliance with the approved treasury policy in accordance with standard practice.

9. DEBT RESCHEDULING

- 9.1 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).
- 9.2 The reasons for any rescheduling to take place will include:
- the generation of cash savings and / or discounted cash flow savings,
 - helping to fulfil the treasury strategy,
 - enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).
- 9.3 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.
- 9.4 Any rescheduling will be reported to the Cabinet at the earliest meeting following its action.

10. ANNUAL INVESTMENT STRATEGY

10.1 Investment Policy

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second and then return.

The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low in order to give priority to security of its investments.

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to monitor market pricing such as “credit default swaps” and overlay that information on top of the credit ratings. This is fully integrated into the credit methodology provided by the Council’s advisors, Capita, in producing its colour codings which show the varying degrees of suggested creditworthiness.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk. The intention of the strategy is to provide security of investments and minimisation of risk.

Investment instruments identified for use in the financial year are listed in Appendix 5 under the ‘Specified’ and ‘Non-Specified’ Investments categories. Counterparty limits will be as set through the Council’s Treasury Management Practices – Schedules.

10.2 Creditworthiness Policy

The Council continues to apply the creditworthiness service provided by Capita.

Capita advise that their service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody’s and Standard and Poor’s. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Chief Financial Officer is satisfied that this service will continue to provide a high level of security for

its investments. It is also a service which the Council would not be able to replicate using in house resources.

The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years * (credit score 1)
- Dark pink 5 years for Enhanced money market funds (EMMFs) (credit score 1.25)
- Light pink 5 years for Enhanced money market funds (EMMFs) (credit score 1.5)
- Purple 2 years (credit score 2)
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks) (credit score 3)
- Orange 1 year (credit score 4)
- Red 6 months (credit score 5)
- Green 100 days (credit score 6)
- No colour not to be used (credit score 7+)

Local flexibility supplementary to the base Capita criteria

This local flexibility will take into account market factors and normal due diligence checks.

- The Council's own bank may be used for investment durations up to 1 year in accordance with the limits as specified in the table below and in Appendix 5, subject to it achieving a minimum colour rating of green.

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

The following table shows the standard limits using the Capita Creditworthiness Policy. However, details of the limits for Specified and Non-Specified Investments applicable to this Council can be found in Appendix 5.

	Colour (and long term rating where applicable)	% Limit	Time Limit
Banks *	yellow	25%	5yrs
Banks	purple	25 %	2 yrs
Banks	orange	25 %	1 yr
Banks – part nationalised	blue	50% (subject to a maximum value of £5m, whichever is the lower) Requires Chief Financial Officer approval if greater than 25%	1 yr
The Council's Bank	minimum green	50% (subject to a maximum value of £5m, whichever is the lower) Requires Chief Financial Officer approval if greater than 25% and time limit is greater than current colour	1 yr
Banks	red	25 %	6 mths
Banks	green	25 %	100 days
Other institutions limit	green	25 %	100 days
DMADF	AA	unlimited	6 months
Local authorities	n/a	25 %	5 yrs
Money market funds	AAA	25%	liquid
Enhanced money market funds with a credit score of 1.25	Dark pink / AAA	25 %	liquid
Enhanced money market funds with a credit score of 1.5	Light pink / AAA	25 %	liquid
Property Funds		25%	Up to 5 years and over

* The yellow colour category is for UK Government debt or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt.

The Capita credit worthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system does not give undue preponderance to just one Agency's ratings.

Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored on a weekly basis as a minimum requirement. The Council is immediately alerted to changes to ratings of all three agencies through its use of the Capita creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap (CDS) against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively by Capita. Extreme market movements may result in downgrade of an institution or removal from the Councils lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on any external support for banks to help support the decision making process. Capita will supply this information to the Treasury team as part of their comprehensive service.

10.3 Non UK Country Limits

The Council has determined that it will only use approved counterparties from countries outside the UK with a minimum sovereign credit rating of AA+ from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 6. This list will be added to or deducted from by officers should ratings change in accordance with this policy.

In addition to the minimum sovereign credit rating, no more than 25% would be placed with any individual non-UK country at any time should they meet the creditworthiness criteria.

10.4 Investment Strategy

In-house funds: Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Investment returns expectations: Bank Rate is forecast to remain flat at 0.25% until quarter 2 of 2019 and not to rise above 0.75% by quarter 1 of 2020. Bank Rate forecasts for financial year ends (March) are:

- 2016-17 0.25%
- 2017-18 0.25%
- 2018-19 0.25%
- 2019-20 0.50%

The overall balance of risks to these forecasts is currently to the downside (i.e. start of increases in Bank Rate occurs later) in view of the uncertainty over the final terms of Brexit. If growth expectations disappoint an inflationary pressures are minimal, the start of increases in Bank Rate could be pushed back. On the other hand, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk.

For its cash flow generated balances, the Council will seek to utilise its instant access/call accounts, business reserve accounts, 31, 60, 95 and 120 day accounts, money market funds, money market instruments (such as gilts and Treasury Bills) and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

10.5 End of Year Investment Report

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

10.6 External Fund Managers

The use of specialist investment managers be considered by the Chief Financial Officer on an ongoing basis, to manage a proportion of the Council's investments (minimum market requirement is usually £10 million) where market conditions are considered favourable to achieve higher overall investment returns. Specialist investment managers will be appointed by the Chief Financial Officer under delegated powers and subject to the Council's Standing Orders Relating to Contracts, if applicable. It is however highly unlikely the Council will hold sufficient funds for investment to be able to consider the use of External Fund Managers due to diminishing cash reserves and the increasing Capital Financing Requirement.

The Council's external fund manager(s) would comply with the Annual Investment Strategy. Any agreement(s) between the Council and the fund manager(s) would additionally stipulate guidelines and duration and other limits in order to contain and control risk.

11. POLICY ON THE USE OF EXTERNAL SERVICE PROVIDERS

- 11.1 The Council uses Capita Asset Services – Treasury Solutions (Capita) as its external treasury management advisers, with the current contract ending on 31st August 2020.
- 11.2 On 8th December 2016 Capita plc announced its intention to sell Capita Asset Services ("CAS" - collectively Capita Fund Solutions, Capita Shareholder &

Treasury Solutions, Capita Debt & Banking Solutions and Capita Corporate & Private Client Solutions).

- 11.3 The rationale for the sale is that CAS is no longer considered core to Capita plc's strategy of focusing on technology enabled outsourcing solutions. The parent does however acknowledge CAS's considerable value as a stable and profitable business, with a strong management team, an exceptional client base and significant growth opportunities.
- 11.4 Capita has however confirmed their continued commitment to our relationship and to delivering excellent service. They have also confirmed that they will continue to invest in our business platforms to ensure ongoing improvement, development and focus on client service excellence.
- 11.5 Further updates will be provided as the process progresses; in the meantime we are assured that it's very much business as usual and there will be no disruption to our service levels.
- 11.6 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and the Chief Financial Officer will ensure that statutory Section 151 responsibilities continue to be met, in close liaison with, but without undue reliance, upon our external service providers.
- 11.7 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

12. SCHEME OF DELEGATION

- 12.1 The Council's Treasury Management Scheme of Delegation is detailed in Appendix 7.

13. ROLE OF THE SECTION 151 OFFICER

- 13.1 The Treasury Management Role of the Section 151 Officer is detailed in Appendix 8.

14. MEMBER AND OFFICER TRAINING

- 14.1 The CIPFA Code requires the Responsible Officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. The increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for Members and officers. The Council has addressed this important issue by:

- Annual Portfolio holder training from the Chief Financial Officer and Treasury Consultants;

- Treasury Management Review Panel annual training updates (with additional updates as necessary);
- Daily Officer monitoring of Treasury and Money Market information by Treasury Officers;
- Regular attendance by Officers at professional Seminars provided by Treasury Consultants, CIPFA and CLG

15. LOCAL ISSUES

- 15.1 The Financial Strategy for 2017-20 includes significant proposals for two new Council Policies that are closely allied to the Treasury Management Service Strategy. The first new policy is in relation to Loans to Third Parties for which an initial allocation of £10m is proposed to the 2017-18 Capital Programme. The second is to create a £25m Capital Portfolio Fund; both new policies support our corporate priority of regeneration and economic development and at this stage are in principle policy decisions. Expenditure will be subject to specific approval and due diligence evidenced by each business case. Funding will be from external loans (almost certainly PWLB Debt) and this is reflected in the prudential indicators proposed in this report. In particular the Authorised Limited and the Operational Boundary have increased to allow the headroom to cover the expenditure allocated to these proposals. Whilst it is highly unlikely that the full allocations will be spent in 2017-18 these are included as maximum sums to enable the Council to take advantage of relevant opportunities to support regeneration in the wider commercial context as they may arise. Due to the significance of these proposals separate reports are being made to the Treasury Management Review Panel setting out the detail as presented in the appendices to the December Cabinet Financial Strategy Report 2017-20.
- 15.2 During the next year the funds available for investment will continue to reduce as the Council continues to progress its Transformation Agenda. Wyre Forest Forward initiatives are being pursued to ensure that the Council can reduce on-going revenue costs of delivering services. As approved capital projects progress, including the two new significant policies for Loans to Third Parties and Capital Portfolio Fund, the borrowing requirement will continue to increase, as detailed in this report. The maximum allocations currently reflected in 2017-18 may in the final event be spread over a number of future years depending on opportunities that arise and the detail in each specific business case that supports future capital decisions.
- 15.3 Historically, the most significant issue to affect the Council was the exposure of investments with links to Icelandic Banks. Repayments in respect of the remaining two investments continue in line with expectations. The Council remains optimistic of overall recovery rates for the two remaining investments. Further details can be found in Section 5.2 of this report.

- 15.4 The Prudential Code suggests including Local Indicators where the information will lead to a better understanding of local circumstances. As Councils are now having to take more commercial approaches to generating income it is increasingly apparent that capital investment schemes that generate rental streams are beginning to emerge within Local Government. The strict definition of the current indicator showing financing costs as a proportion of net revenue stream currently excludes such rental income, thereby skewing the results. A local indicator, included within Appendix 3, has therefore been introduced to show the effect of the complete investment return upon the net revenue stream, thus demonstrating that the inclusion of these schemes still provides prudent and affordable results.

16. KEY ISSUES

- 16.1 The Council continues to enter into external borrowing in accordance with the current approved TMSS. Loans outstanding as at 6th January 2017 total £15million, and this will increase in line with the CFR over the period of the Financial Strategy. As approved capital projects progress, including the two new significant policies for Loans to Third Parties and Capital Portfolio Fund, the borrowing requirement will continue to increase. Affordability will be a key factor in the specific business cases. Subject to timing of proposals, we will continue to take advantage of the historically low borrowing rates, taking into account cost of carry, before they start to rise again. Full details can be found in Section 8.1 of this report.
- 16.2 As reported previously, the returns the Council is currently receiving from investment returns remain significantly lower than those achieved during years up to 2007-08. Interest rates are estimated to remain historically low. Modest increases are anticipated to commence in Quarter 2 of 2019, implemented over a long period. Section 10 of this report identifies the on-going sensitivity that the Council faces in relation to investment returns.
- 16.3 The Chief Financial Officer will continue to keep the current Treasury Management Practices (TMP) under review with the assistance of the Council's Treasury Consultants and report to members as appropriate.
- 16.4 The financial situation facing this Council continues to be extremely challenging. The Provisional Local Government Settlement was announced following the Chancellor's Autumn Statement, on 15th December 2016. The announcement confirmed the proposed reductions in Revenue Support Grant, New Homes Bonus together with Business Rates Retention Reform over the term of the Strategy with more severe reductions from 2018-19 onwards. This Strategy manages the risks as set out in section 19. All relevant factors will be monitored and if the risks change significantly then further reports will be made to update the Treasury Strategy.
- 16.5 As previously reported, Lloyds Bank became the Council's bank with effect from 1st April 2014. The Council is aware of the potential for an increasing exposure to risk as the Government continues to sell its share interest in Lloyds Bank and the banking group is returned to full private ownership. The Government's current stake in Lloyds Bank is just under 9%, with the sale of the remaining shares being one of the Chancellor's top priorities.

However, Lloyds has successfully passed both the 2016 Prudential Regulation Authority (PRA) and European Banking Authority (EBA) Stress Tests. Both tests examined the banks ability to maintain liquidity during a succession of simulated economic scenarios and defaults.

It is Capita's view that the Council would rank 5th under any bail-in order of priority (exposure) out of a list of 10, after shareholders and unsecured creditors. The exposure to risk will in future be significantly reduced by the ring fenced proposal that separates the speculative operations (casino banking) from the normal banking operations (vanilla deposits). However, this is set to take effect in 2019 so is for noting at this time.

17. FINANCIAL IMPLICATIONS

- 17.1 The Financial Implications of the Treasury Management function are included in the Council's Medium Term Financial Strategy and Three Year Budget and Policy Framework.

18. LEGAL AND POLICY IMPLICATIONS

- 18.1 The Local Government Act 2003 supplemented by Regulations set out the current 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.
- 18.2 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.

19. RISK MANAGEMENT

- 19.1 The Council is aware of the risks of passive management of the treasury portfolio. With the support of Capita, the Council's treasury advisors, the Council has proactively managed the portfolio over the year.
- 19.2 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.
- 19.3 In the event of a counterparty default, a formal demand for payment, to include principal, contractual interest and default interest, will be made as soon as possible. Such demand will need to meet the criteria as specified in the Insolvency Act Amendments Rules 2010.

- 19.4 One of the risks associated to the Council's Capital Programme, allied to this TMSS, is that given the current depressed economy, planned asset disposals are not fully realised in terms of timing and valuation assumptions. This may increase external borrowing until such sales proceeds are realised and also incur additional costs, of debt repayment to these already included in Finance Strategy. For major projects reserves are held to mitigate this risk.
- 19.5 There is a small increase in risk by placing up to 50% of the total investments with the part-nationalised banks. However, such investments will only be placed by exception, with the express approval of the Chief Financial Officer (CFO). The Council will continue to aim to achieve the optimum return on its investments commensurate with its investment priorities of security and liquidity. The Council has been advised that any withdrawal of Government support for the remaining part-nationalised bank could take 12 months. There could be a similar risk relating to the Council's own bank if investments were to be placed for periods over the creditworthiness policy recommendation. This would however be on an exceptional basis with CFO approval.
- 19.6 There is a risk that as the government further relinquishes its stake holding in Lloyds Bank the credit agencies may react by reducing the credit rating of the Council's bank and that it may be excluded from investments under the Capita Creditworthiness Methodology. However, the credit agencies have removed sovereign support from their assessments, thereby reducing the possibility of short term reductions in counterparty's creditworthiness. The response of the credit rating agencies to the continuing bank bail-in will be carefully monitored in liaison with Capita to ensure our treasury risk management does not increase beyond acceptable parameters within this policy.
- 19.7 Proposed expenditure in respect of the two significant new Council Policies, detailed in 15.1 above, that are closely allied to the Treasury Management Service Strategy will be subject to specific approval and due diligence evidenced by each business case in order to minimise risk. These risks are set out in detail in the two specific reports presented as part of Financial Strategy Report considered by Cabinet on the 20th December 2016 and also presented to the Treasury Management Review Panel on the 1st February 2017.

20. EQUALITY IMPACT ASSESSMENT

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

21. CONCLUSION

- 21.1 See Recommendations.

22. CONSULTEES

- 22.1 Capita Asset Services – Treasury Solutions (Treasury Advisors)

22.2 Cabinet

22.3 CLT

22.4 Treasury Management Review Panel

23. BACKGROUND PAPERS

23.1 Local Government Act 2003.

23.2 CIPFA's Revised Prudential Code for Capital Finance in Local Authorities, 2011.

23.3 CIPFA's Revised Code of Practice on Treasury Management in the Public Services, 2011.

23.4 Local Government and Housing Act 1989.

23.5 Council 24-02-16: Treasury Management Strategy 2016-17.
http://www.wyreforest.gov.uk/council/docs/doc50714_20160224_council_agenda.pdf

23.6 Council 28-09-16: Annual Report on Treasury Management Service and Actual Prudential Indicators 2015-16.
http://www.wyreforest.gov.uk/council/docs/doc51267_20160928_council_agenda.pdf

23.7 Council 14-12-16: Treasury Management Strategy Statement and Annual Investment Strategy Mid-year Review Report 2016-17.
http://www.wyreforest.gov.uk/council/docs/doc51494_20161214_council_agenda.pdf

23.8 The Prudential Code for Capital Finance in Local Authorities: Guidance Notes for Practitioners (2013 Edition).

23.9 Financial Strategy 2017-20- Cabinet 20th December 2016, Cabinet Proposals and Appendices for Loans to Third Parties and Capital Portfolio Fund

23.10 Treasury Management Review Panel 01-02-17: Treasury Management Strategy 2017-18.

APPENDIX 1 MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

CLG regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

Regulatory Method

Under the previous MRP regulations, MRP was set at a uniform rate of 4% of the adjusted CFR (i.e. adjusted for "Adjustment A") on a reducing balance method (which in effect meant that MRP charges would stretch into infinity). This historic approach must continue for all capital expenditure incurred in years before the start of this new approach. It may also be used for new capital expenditure up to the amount which is deemed to be supported through the SCE annual allocation.

This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be:

Asset Life Method

Under this option, it is intended that MRP should be spread over the estimated useful life of either an asset created, or other purpose of the expenditure. There are two useful advantages of this option: -

- Longer life assets e.g. freehold land can be charged over a longer period.
- No MRP charges need to be made until the financial year after that in which an item of capital expenditure is fully incurred and, in the case of a new asset, comes into service use (this is often referred to as being an 'MRP holiday').

The equal instalment method will be used to calculate charges under this method. Estimated life periods will be determined by the Chief Financial Officer (Section 151 Officer) under powers delegated by Council. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Council as determined by the Chief Financial Officer. However, under these powers delegated by Council, the Chief Financial Officer reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. For example, the Guidance recommends that in the case of Loans and grants towards capital expenditure by third parties (under Regulation 25(1)(b), a charge should be made over a period “equal to the estimated life of the assets in relation to which the third party expenditure is incurred” and this is the approach adopted in this revised MRP Policy. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

This option provides for a reduction in the borrowing need over approximately the asset’s life.

In accordance with the Guidance, MRP will be charged in the financial year following that in which the asset is completed or becomes operational.

With regards to the Council’s Policy on Loans to Third Parties, where the capital expenditure relates to shorter term loan arrangements, the policy will be to not charge any MRP to the revenue account if full repayment of loans will be anticipated within the shorter term, as per the agreements. This scheme is included within the Capital Programme and loan applications will be subject to specific approval by the Cabinet and due diligence of the business case for each proposal. The principal element of the receipts will be set aside for this purpose, hence an element of the CFR will be reduced when repayment of loans are made.

The Prudential Indicators included in Appendix 3 assume that MRP will be payable on Loans to Third Parties in order to present the ‘worst case’ cash flow position for TMSS purposes. This budget modelling will be revised, based on the approval of specific business cases for allocation of the funding.

The Council is satisfied that the policy for calculating MRP set out in this Policy Statement will result in the Council continuing to make prudent provision for the repayment of debt, over a period that is on average reasonably commensurate with that over which expenditure provides benefit.

The Chief Financial Officer will, where it is prudent to do so, use discretion to review the overall financing of the Capital Programme and the opportunities afforded by the regulations, to maximise the benefit to the Council whilst ensuring the Council meets its duty to charge a prudent provision.

APPENDIX 2 INTEREST RATE FORECASTS

The data below shows a variety of forecasts published by Capita Asset Services and Capital Economics (an independent forecasting consultancy).

The forecast within this strategy statement has been drawn from these diverse sources and officers' own views.

Capita Asset Services Interest Rate View													
	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank Rate View	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
3 Month LIBID	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%
6 Month LIBID	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%
12 Month LIBID	0.70%	0.70%	0.70%	0.70%	0.70%	0.80%	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%
5yr PWLB Rate	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB Rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB Rate	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB Rate	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
Bank Rate													
Capita Asset Services	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
Capital Economics	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.50%
5yr PWLB Rate													
Capita Asset Services	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
Capital Economics	1.60%	1.70%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.70%	2.80%	2.90%	3.00%
10yr PWLB Rate													
Capita Asset Services	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
Capital Economics	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	3.10%	3.20%	3.30%	3.40%
25yr PWLB Rate													
Capita Asset Services	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
Capital Economics	2.95%	3.05%	3.05%	3.15%	3.25%	3.25%	3.35%	3.45%	3.55%	3.65%	3.75%	3.95%	4.05%
50yr PWLB Rate													
Capita Asset Services	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
Capital Economics	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.60%	3.70%	3.80%	3.90%

PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

APPENDIX 3 PRUDENTIAL AND TREASURY INDICATORS**1 THE CAPITAL PRUDENTIAL INDICATORS 2016-17 TO 2019-20**

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans are reflected in prudential indicators, designed to assist members' overview and confirm capital expenditure plans.

The prudential indicators will be revised in February 2017 as part of the Council's approval of the Financial Strategy 2017 to 2020, as the indicators included within this report are based on current recommendations (including those proposed by Cabinet in December 2016).

1.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans.

Capital expenditure £'000	2015-16 Actual	2016-17 Estimate	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate
Chief Executive	59	272	486	-	-
Community Well-being and Environment	7,411	4,564	1,394	-	-
Economic Prosperity and Place	2,330	2,412	39,994*	1,069	1,000
Vehicle, Equipment and Systems Renewals	297	599	940	903	565
Total	10,097	7,847	42,814	1,972	1,565

* Whilst it is highly unlikely that the full allocations will be spent in 2017-18 these are included as maximum sums to enable the Council to take advantage of relevant opportunities to support regeneration in the wider commercial sense as they may arise.

Other long term liabilities. The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments. However, the Council currently has no other long term liabilities.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources, including the significant Loans to Third Parties and Capital Portfolio Funds schemes proposed by Cabinet. Any shortfall of resources results in a funding borrowing need.

Capital expenditure £'000	2015-16 Actual	2016-17 Estimate	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate
Total	10,097	7,847	42,814	1,972	1,565
Financed by:					
Capital receipts	71	309	3,553	1	-
Capital grants	3,492	2,139	1,167	1,068	1,000
Revenue	125	371	-	-	-
Net financing need for the year	6,409	5,028	38,094	903	565

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

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council does not currently have such schemes within the CFR.

The current CFR projections are presented below:

£'000	2015-16 Actual	2016-17 Estimate	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate
Capital Financing Requirement					
Total CFR	14,146	18,975	56,476	55,787	54,745
Movement in CFR	6,236	4,829	37,501	(689)	(1,042)

Movement in CFR represented by:					
Net financing need for the year (above)	6,409	5,028	38,094	903	565
Less MRP/VRP and other financing movements	(173)	(199)	(593)	(1,592)	(1,607)
Movement in CFR	6,236	4,829	37,501	(689)	(1,042)

1.3 Affordability prudential indicators

Within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

1.4 Ratio of financing costs to net revenue stream (including new Local Indicator)

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2015-16 Actual	2016-17 Estimate	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate
Ratio (Prudential Code)*	3.06	5.15	10.09	22.55	22.47
Ratio (Local Indicator)*	N/A	N/A	N/A	11.22	10.82

* A local indicator has been introduced from 2018-19 onwards to reflect the impact of the estimated rental income stream for the Capital Portfolio Fund scheme

(currently excluded from the Prudential Code calculation), demonstrating that the capital investment continues to be prudent and sustainable.

The estimates of financing costs include current commitments.

1.5 Incremental impact of capital investment decisions on the Band D Council Tax

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

£	2016-17 Estimate	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate
Council tax - band D	1.13	4.15	(0.03)	(1.09)

2017-18 includes the impact of the allowing for additional capacity and external support to assess opportunities to deliver business cases for the Capital Portfolio Fund capital scheme.

1.6 Current portfolio position

The Council's treasury portfolio position at 31st March 2016, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£'000	2015-16 Actual	2016-17 Estimate	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate
External Debt					
Gross debt at 31st March	16,009	18,006	55,703	54,700	54,700
The Capital Financing Requirement	14,146	18,975	56,476	55,787	54,745
Under / (over) borrowing *	(1,863)	969	773	1,087	45

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2017-18 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes. The Council has been able to benefit from historically low PWLB interest rates and has therefore taken some of the borrowing early. The table above shows that this is only for the short term, within the terms of the Code.

The Chief Financial Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the short term.

*However, in the future it may be that the Council will not be able to comply with this indicator introduced in November 2012 since any fixed term maturity loans would not be reduced until they are repaid. The CFR would continue to be reduced by MRP, hence the gross external debt may eventually exceed the CFR. The debt would attract excessive premiums if it was prematurely repaid. The unexpected change from net to gross debt in 2012 will be unachievable for many Councils given past decisions made in full accordance with the Prudential Code. Capita's advice is that it is sufficient to disclose this as part of the Strategy review.

1.7 Treasury Indicators: limits to borrowing activity

The operational boundary

This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational boundary £'000	2016-17 Estimate	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate
Debt	20,000	58,000	58,000	58,000
Other long term liabilities	-	-	-	-
Total	20,000	58,000	58,000	58,000

The authorised limit for external debt

A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

Authorised limit £'000	2016-17 Estimate	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate
Debt	33,000	68,000	68,000	68,000
Other long term liabilities	0	0	0	0
Total	33,000	68,000	68,000	68,000

1.8 Treasury management limits on activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

	2017-18	2018-19	2019-20
Interest rate exposures			
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	100%	100%	100%
Maturity structure of fixed interest rate borrowing 2017-18			
	Lower	Upper	
Under 12 months	0%	100%	
12 months to 2 years	0%	100%	
2 years to 5 years	0%	100%	
5 years to 10 years	0%	100%	
10 years and above	0%	100%	
Maturity structure of variable interest rate borrowing 2017-18			
	Lower	Upper	
Under 12 months	0%	100%	
12 months to 2 years	0%	100%	
2 years to 5 years	0%	100%	
5 years to 10 years	0%	100%	
10 years and above	0%	100%	

These limits give maximum flexibility for borrowing, to ensure financial advantages of each transaction.

1.9 Investment treasury indicator and limit

This indicator sets the limits on total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

Maximum principal sums invested > 364 days			
£m	2017-18	2018-19	2019-20
Principal sums invested > 364 days	£2m	£2m	£2m

APPENDIX 4 ECONOMIC BACKGROUND (PROVIDED BY CAPITA ASSET SERVICES – TREASURY SOLUTIONS (TREASURY ADVISORS))

Economic Background

4.1 United Kingdom (UK) economy

Gross Domestic Product (GDP) growth rates in 2013, 2014 and 2015 of 2.2%, 2.9% and 1.8% were some of the strongest rates among the G7 countries (G7 members are Canada, France, Germany, Italy, Japan, the United Kingdom (UK), and the United States of America (USA)). Growth is expected to have strengthened in 2016 with the first three quarters coming in respectively at +0.4%, +0.7% and +0.5%. The latest Bank of England forecast for growth in 2016 as a whole is +2.2%. The figure for quarter 3 was a pleasant surprise which confounded the downbeat forecast by the Bank of England in August of only +0.1%, (subsequently revised up in September, but only to +0.2%). During most of 2015 and the first half of 2016, the economy had faced headwinds for exporters from the appreciation of sterling against the Euro, and weak growth in the European Union (EU), China and emerging markets, and from the dampening effect of the Government's continuing austerity programme.

The **referendum vote for Brexit** in June 2016 delivered an immediate shock fall in confidence indicators and business surveys at the beginning of August, which were interpreted by the Bank of England in its August Inflation Report as pointing to an impending sharp slowdown in the economy. However, the following monthly surveys in September showed an equally sharp recovery in confidence and business surveys so that it is generally expected that the economy will post reasonably strong growth numbers through the second half of 2016 and also in 2017, albeit at a slower pace than in the first half of 2016.

The **Monetary Policy Committee, (MPC), meeting of 4th August 2016** was therefore dominated by countering this expected sharp slowdown and resulted in a package of measures that included a cut in Bank Rate from 0.50% to 0.25%, a renewal of quantitative easing, with £70bn made available for purchases of gilts and corporate bonds, and a £100bn tranche of cheap borrowing being made available for banks to use to lend to businesses and individuals.

The **MPC meeting of 3 November 2016** left Bank Rate unchanged at 0.25% and other monetary policy measures also remained unchanged. This was in line with market expectations, but a major change from the previous quarterly Inflation Report MPC meeting of 4 August, which had given a strong steer, in its forward guidance, that it was likely to cut Bank Rate again, probably by the end of the year if economic data turned out as forecast by the Bank. The MPC meeting of 15 December 2016 also left Bank Rate and other measures unchanged.

The latest MPC decision included a forward view that **Bank Rate** could go either up or down depending on how economic data evolves in the coming months. Capita's central view remains that Bank Rate will remain unchanged at 0.25% until the first increase to 0.50% in quarter 2 2019 (unchanged from their previous forecast). However, they would not, as yet, discount the risk of a cut in Bank Rate if economic growth were to take a significant dip downwards, though they think this is unlikely. Capita would also point out that forecasting as far ahead as mid 2019 is highly fraught as there are many potential economic headwinds which could blow the UK economy one way or the other as well as political developments in the UK, (especially over the terms of Brexit), EU, US and beyond, which could have a major impact on our forecasts.

The pace of Bank Rate increases in Capita's forecasts has been slightly increased beyond the three year time horizon to reflect higher inflation expectations.

The August quarterly Inflation Report was based on a pessimistic forecast of near to zero GDP growth in quarter 3 i.e. a sharp slowdown in growth from +0.7% in quarter 2, in reaction to the shock of the result of the referendum in June. However, **consumers** have very much stayed in a 'business as usual' mode and there has been no sharp downturn in spending; it is consumer expenditure that underpins the services sector which comprises about 75% of UK GDP. After a fairly flat three months leading up to October, retail sales in October surged at the strongest rate since September 2015 and were again strong in November. In addition, the GfK consumer confidence index recovered quite strongly to -3 in October after an initial sharp plunge in July to -12 in reaction to the referendum result. However, in November it fell to -8 indicating a return to pessimism about future prospects among consumers, probably based mainly around concerns about rising inflation eroding purchasing power.

Bank of England GDP forecasts in the November quarterly Inflation Report were as follows, (August forecasts in brackets) - 2016 +2.2%, (+2.0%); 2017 1.4%, (+0.8%); 2018 +1.5%, (+1.8%). There has, therefore, been a sharp increase in the forecast for 2017, a marginal increase in 2016 and a small decline in growth, now being delayed until 2018, as a result of the impact of Brexit.

Capital Economics' GDP forecasts are as follows: 2016 +2.0%; 2017 +1.5%; 2018 +2.5%. They feel that pessimism is still being overdone by the Bank and Brexit will not have as big an effect as initially feared by some commentators.

The Chancellor has said he will do 'whatever is needed' i.e. to **promote growth**; there are two main options he can follow – fiscal policy e.g. cut taxes, increase investment allowances for businesses, and/or increase government expenditure on infrastructure, housing etc. This will mean that the Public Sector Borrowing Requirement (PSBR) deficit elimination timetable will need to slip further into the future as promoting growth, (and ultimately boosting tax revenues in the longer term), will be a more urgent priority. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. He also warned that the Bank could not do all the heavy lifting to boost economic growth and suggested that the Government would need to help growth e.g. by increasing investment expenditure and by using fiscal policy tools. The newly appointed Chancellor, Phillip Hammond, announced, in the aftermath of the referendum result and the formation of a new Conservative cabinet, that the target of achieving a budget surplus in 2020 would be eased in the Autumn Statement on 23 November. This was duly confirmed in the Statement which also included some increases in infrastructure spending.

The other key factor in forecasts for Bank Rate is **inflation** where the MPC aims for a target for Consumer Price Index (CPI) of 2.0%. The November Inflation Report included an increase in the peak forecast for inflation from 2.3% to 2.7% during 2017; (Capital Economics are forecasting a peak of just under 3% in 2018). This increase was largely due to the effect of the sharp fall in the value of sterling since the referendum, although during November, sterling has recovered some of this fall to end up 15% down against the dollar, and 8% down against the euro (as at the MPC meeting date – 15.12.16). This depreciation will feed through into a sharp increase in the cost of imports and materials used in production in the UK. However, the MPC is expected to look through the acceleration in

inflation caused by external, (outside of the UK), influences, although it has given a clear warning that if wage inflation were to rise significantly as a result of these cost pressures on consumers, then they would take action to raise Bank Rate.

What is clear is that **consumer disposable income** will come under pressure, as the latest employers' survey is forecasting median pay rises for the year ahead of only 1.1% at a time when inflation will be rising significantly higher than this. The CPI figure has been on an upward trend in 2016 and reached 1.2% in November. However, prices paid by factories for inputs rose to 13.2% though producer output prices were still lagging behind at 2.3% and core inflation was 1.4%, confirming the likely future upwards path.

Gilt yields, and consequently Public Works Loan Board (PWLB) rates, have risen sharply since hitting a low point in mid-August. There has also been huge volatility during 2016 as a whole. The year started with 10 year gilt yields at 1.88%, fell to a low point of 0.53% on 12 August, and hit a new peak on the way up again of 1.55% on 15 November. The rebound since August reflects the initial combination of the yield-depressing effect of the MPC's new round of quantitative easing on 4 August, together with expectations of a sharp downturn in expectations for growth and inflation as per the pessimistic Bank of England Inflation Report forecast, followed by a sharp rise in growth expectations since August when subsequent business surveys, and GDP growth in quarter 3 at +0.5% q/q, confounded the pessimism. Inflation expectations also rose sharply as a result of the continuing fall in the value of sterling.

Employment had been growing steadily during 2016 but encountered a first fall in over a year, of 6,000, over the three months to October. The latest employment data in December, (for November), was distinctly weak with an increase in unemployment benefits claimants of 2,400 in November and of 13,300 in October. **House prices** have been rising during 2016 at a modest pace but the pace of increase has slowed since the referendum; a downturn in prices could dampen consumer confidence and expenditure.

4.2 Global economy

US. The American economy had a patchy 2015 with sharp swings in the quarterly **growth rate** leaving the overall growth for the year at 2.4%. Quarter 1 of 2016 at +0.8%, (on an annualised basis), and quarter 2 at 1.4% left average growth for the first half at a weak 1.1%. However, quarter 3 at 3.2% signalled a rebound to strong growth. The Federal Reserve (Fed) embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene, and then the Brexit vote, have caused a delay in the timing of the second increase of 0.25% which came, as expected, in December 2016 to a range of 0.50% to 0.75%. Overall, despite some data setbacks, the US is still, probably, the best positioned of the major world economies to make solid progress towards a combination of strong growth, full employment and rising inflation: this is going to require the central bank to take action to raise rates so as to make progress towards normalisation of monetary policy, albeit at lower central rates than prevailed before the 2008 crisis. The Fed. therefore also indicated that it expected three further increases of 0.25% in 2017 to deal with rising inflationary pressures.

The result of the **presidential election** in November is expected to lead to a strengthening of US growth if Donald Trump's election promise of a major increase in expenditure on infrastructure is implemented. This policy is also likely to strengthen inflation pressures as the economy is already working at near full capacity. In addition, the unemployment rate is at a low point verging on what is normally classified as being full employment. However, the US does have a substantial amount of hidden unemployment in terms of an unusually large, (for a developed economy), percentage of the working population not actively seeking employment.

Trump's election has had a profound effect on the **bond market and bond yields** rose sharply in the week after his election. Time will tell if this is a reasonable assessment of his election promises to cut taxes at the same time as boosting expenditure. This could lead to a sharp rise in total debt issuance from the current level of around 72% of GDP towards 100% during his term in office. However, although the Republicans now have a monopoly of power for the first time since the 1920s, in having a President and a majority in both Congress and the Senate, there is by no means any certainty that the politicians and advisers he has been appointing to his team, and both houses, will implement the more extreme policies that Trump outlined during his election campaign. Indeed, Trump may even rein back on some of those policies himself.

In the first week since the US election, there was a major shift in **investor sentiment** away from bonds to equities, especially in the US. However, gilt yields in the UK and bond yields in the EU have also been dragged higher. Some commentators are saying that this rise has been an overreaction to the US election result which could be reversed. Other commentators take the view that this could well be the start of the long expected eventual unwinding of bond prices propelled upwards to unrealistically high levels, (and conversely bond yields pushed down), by the artificial and temporary power of quantitative easing.

Eurozone (EZ). GDP growth in the first three quarters of 2016 has been 0.5%, +0.3% and +0.3%, (+1.7% y/y). Forward indications are that economic growth in the EU is likely to continue at moderate levels. This has added to comments from many forecasters that those central banks in countries around the world which are currently struggling to combat low growth, are running out of ammunition to stimulate growth and to boost inflation. Central banks have also been stressing that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand and economic growth in their economies.

There are also significant specific political and other risks within the EZ: -

- **Greece** continues to cause major stress in the EU due to its tardiness and reluctance in implementing key reforms required by the EU to make the country more efficient and to make significant progress towards the country being able to pay its way – and before the EU is prepared to agree to release further bail out funds.
- **Spain** has had two inconclusive general elections in 2015 and 2016, both of which failed to produce a workable government with a majority of the 350 seats. At the eleventh hour on 31 October, before it would have become compulsory to call a third general election, the party with the biggest bloc of seats (137), was given a majority confidence vote to form a government. This is potentially a highly unstable situation, particularly given the need to deal with an EU demand for implementation of a package of austerity cuts which will be highly unpopular.

- The under capitalisation of **Italian banks** poses a major risk. Some **German banks** are also undercapitalised, especially Deutsche Bank, which is under threat of major financial penalties from regulatory authorities that will further weaken its capitalisation. What is clear is that national governments are forbidden by EU rules from providing state aid to bail out those banks that are at risk, while, at the same time, those banks are unable realistically to borrow additional capital in financial markets due to their vulnerable financial state. However, they are also 'too big, and too important to their national economies, to be allowed to fail'.
- **4 December Italian constitutional referendum** on reforming the Senate and reducing its powers; this was also a confidence vote on Prime Minister Renzi who has resigned on losing the referendum. However, there has been remarkably little fall out from this result which probably indicates that the financial markets had already fully priced it in. A rejection of these proposals is likely to inhibit significant progress in the near future to fundamental political and economic reform which is urgently needed to deal with Italy's core problems, especially low growth and a very high debt to GDP ratio of 135%. These reforms were also intended to give Italy more stable government as no western European country has had such a multiplicity of governments since the Second World War as Italy, due to the equal split of power between the two chambers of the Parliament which are both voted in by the Italian electorate but by using different voting systems. It is currently unclear what the political, and other, repercussions are from this result.
- **Dutch general election 15.3.17**; a far right party is currently polling neck and neck with the incumbent ruling party. In addition, anti-big business and anti-EU activists have already collected two thirds of the 300,000 signatures required to force a referendum to be taken on approving the EU – Canada free trade pact. This could delay the pact until a referendum in 2018 which would require unanimous approval by all EU governments before it can be finalised. In April 2016, Dutch voters rejected by 61.1% an EU – Ukraine cooperation pact under the same referendum law. Dutch activists are concerned by the lack of democracy in the institutions of the EU.
- **French presidential election**; first round 13 April 2017; second round 7 May 2017.
- **French National Assembly election June 2017.**
- **German Federal election August – 22 October 2017.** This could be affected by significant shifts in voter intentions as a result of terrorist attacks, dealing with a huge influx of immigrants and a rise in anti EU sentiment.
- The core EU, (note, not just the Eurozone currency area), principle of **free movement of people** within the EU is a growing issue leading to major stress and tension between EU states, especially with the Visegrad bloc of former communist states.

Given the number and type of challenges the EU faces in the next eighteen months, there is an identifiable risk for the EU project to be called into fundamental question. The risk of an electoral revolt against the EU establishment has gained traction after the shock results of the UK referendum and the US Presidential election. But it remains to be seen whether any shift in sentiment will gain sufficient traction to produce any further shocks within the EU.

Asia. Economic growth in **China** has been slowing down and this, in turn, has been denting economic growth in emerging market countries dependent on exporting raw materials to China. Medium term risks have been increasing in China e.g. a dangerous build up in the level of credit compared to the size of GDP, plus there is a need to address a major over supply of housing and surplus industrial capacity, which both need to be eliminated. This needs to be combined with a rebalancing of the economy from investment expenditure to consumer spending. However, the central bank has a track record of supporting growth through various monetary policy measures, though these further stimulate the growth of credit risks and so increase the existing major imbalances within the economy.

Economic growth in **Japan** is still patchy, at best, and skirting with deflation, despite successive rounds of huge monetary stimulus and massive fiscal action to promote consumer spending. The government is also making little progress on fundamental reforms of the economy.

Emerging countries. There have been major concerns around the vulnerability of some emerging countries exposed to the downturn in demand for commodities from China or to competition from the increase in supply of American shale oil and gas reaching world markets. The ending of sanctions on Iran has also brought a further significant increase in oil supplies into the world markets. While these concerns have subsided during 2016, if interest rates in the USA do rise substantially over the next few years, (and this could also be accompanied by a rise in the value of the dollar in exchange markets), this could cause significant problems for those emerging countries with large amounts of debt denominated in dollars. The Bank of International Settlements has recently released a report that \$340bn of emerging market corporate debt will fall due for repayment in the final two months of 2016 and in 2017 – a 40% increase on the figure for the last three years.

Financial markets could also be vulnerable to risks from those emerging countries with major sovereign wealth funds, that are highly exposed to the falls in commodity prices from the levels prevailing before 2015, especially oil, and which, therefore, may have to liquidate substantial amounts of investments in order to cover national budget deficits over the next few years if the price of oil does not return to pre-2015 levels.

Brexit timetable and process

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: two-year negotiation period on the terms of exit. This period can be extended with the agreement of all members i.e. not that likely.
- UK continues as an EU member during this two-year period with access to the single market and tariff free trade between the EU and UK.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK may also exit without any such agreements.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.

- It is possible that some sort of agreement could be reached for a transitional time period for actually implementing Brexit after March 2019 so as to help exporters to adjust in both the EU and in the UK.

4.3 Capita Asset Services forward view

The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% on 4th August 2016 in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November or December and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth. During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take.

Accordingly, a first increase to 0.50% is not tentatively pencilled in until quarter 2 2019, after those negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. Capita's forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected that at some point, there would be a start to a switch back from bonds to equities after a historic long term trend over about the last twenty five years of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial quantitative easing purchases of bonds, added further impetus to this downward trend in bond yields and rising prices of bonds. The opposite side of this coin has been a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election, has called into question whether, or when, this trend has, or may, reverse, especially when America is likely to lead the way in reversing monetary policy. Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as strong economic growth becomes more firmly established. The expected substantial rise in the Fed rate over the next few years may make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US would be likely to exert some upward pressure on bond yields in other developed countries but the degree of that upward pressure is likely to be dampened by how strong, or weak, the prospects for economic growth and rising inflation are in each country, and on the degree of progress in the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.

The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

Apart from the above uncertainties, **downside risks to current forecasts** for UK gilt yields and PWLB rates currently include:

- Monetary policy action by the central banks of major economies reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some countries, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.
- Major national polls:
 - Italian constitutional referendum 4/12/16 resulted in a 'No' vote which led to the resignation of Prime Minister Renzi. This means that Italy needs to appoint a new government.
 - Spain has a minority government with only 137 seats out of 350 after already having had two inconclusive general elections in 2015 and 2016. This is potentially highly unstable.
 - Dutch general election 15/3/17;
 - French presidential election April/May 2017;
 - French National Assembly election June 2017;
 - German Federal election August – October 2017.
- A resurgence of the Eurozone sovereign debt crisis, with Greece being a particular problem, and stress arising from disagreement between EU countries on free movement of people and how to handle a huge influx of immigrants and terrorist threats
- Weak capitalisation of some European banks, especially Italian.
- Geopolitical risks in Europe, the Middle East and Asia, causing a significant increase in safe haven flows.
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.

The potential for **upside risks to current forecasts** for UK gilt yields and PWLB rates, especially for longer term PWLB rates, include: -

- UK inflation rising to significantly higher levels than in the wider EU and in the US, causing an increase in the inflation premium in gilt yields.
- A rise in US Treasury yields as a result of Fed. funds rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.

Agenda Item No. 6

- The pace and timing of increases in the Fed funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- A downward revision to the UK's sovereign credit rating undermining investor confidence in holding sovereign debt (gilts).

APPENDIX 5 SPECIFIED AND NON-SPECIFIED INVESTMENTS**SPECIFIED INVESTMENTS:**

The Council has determined to authorise Specified Investments as follows:

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

	Minimum ‘High’ Credit Criteria	Use
Debt Management Agency Deposit Facility (DMADF) – UK Government	-	In-house
The Councils Own Bank – for transactional purposes	End of day balance £1m (at the discretion of the Chief Financial Officer)	In-house
The Council’s Own Bank – for investment purposes	Green	In-house
Term deposits – local authorities	-	In-house
Term deposits – banks and building societies *	Green	In-house
Money Market Funds and Financial Instruments	Green	In-house

	Minimum Credit Criteria	Use	Max % of total investments*	Max. maturity period
UK nationalised banks* – currently RBS Group. This banking group can be included if it continues to be part nationalised or meets the ratings in the Table above.	Blue	In-house	50% (subject to a maximum value of £5m, whichever is the lower). Requires Chief Financial Officer approval if greater than 25%	As per colour
The Council’s Own Bank – for investment purposes	Green	In-house	50% (subject to a maximum value of £5m, whichever is the lower). Requires Chief Financial Officer approval if greater than 25% and time limit is greater than current colour	1 year
Banks nationalised by high credit rated (AA+ sovereign rating) countries – non UK*. For UK revert to Capita Creditworthiness Methodology	Green	In-house and Fund Managers	25%	As per colour
Government guarantee (explicit) on ALL deposits by high credit rated (non UK AA+ sovereign rating) countries**. For UK revert to Capita Creditworthiness Methodology	Green	In-house and Fund Managers	25%	As per colour

- * Where a bank is part of a group then the total exposure to the group will be the same as the individual exposure assigned to the parent organisation
- ** e.g. USA (AA+); specified list of countries approved for investing with their banks detailed in Appendix 6 (correct as at date of report)

Additional Information on Specified Investments as Detailed Above

Nationalised/part-nationalised banks. The current Capita Creditworthiness Methodology assigns a 12 month (blue) duration to nationalised/part-nationalised banks to recognise the perceived higher credit quality. The Council's Treasury Strategy gives sufficient flexibility to enable a maximum investment level of 50% with such institutions (subject to a maximum value of £5m, whichever is the lower) that would require Chief Financial Officer approval if greater than 25%. The Government currently has a major stake in the Royal Bank of Scotland Group.

Other countries. The Council will only consider investments with non UK countries that are AA+ rated (for UK revert to Capita Creditworthiness Methodology).

Council's Own Bank – For transactional purposes. Where the Council's own bankers fail to meet the basic credit criteria, balances will be minimised as far as possible with an upper limit of £1m. This allows for reasonable flexibility needed for day to day cash flow management.

Council's Own Bank – For investment purposes. The Council's own bank may be used for investment durations up to 1 year in accordance with the limits as specified in the TMSS and in the table above, subject to it achieving a minimum colour rating of green with the CFO's approval. However, where the Council's own bankers fail to meet the basic credit criteria, it shall not be used for investment purposes.

NON-SPECIFIED INVESTMENTS:

The Council has determined to authorise Non-Specified Investments as follows:

1. Maturities of ANY period

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Fixed term deposits with variable rate and variable maturities: - Structured deposits	Green	In-house	25%	As per colour
Treasury Bills	UK sovereign rating	In-house and Fund Managers	25%	6 months
Bonds issued by multi-lateral development banks	AAA	In-house and Fund Managers	25%	As per colour
CDs or Corporate Bonds with banks and building societies	Green	In-house and Fund Managers	25%	As per colour
Floating Rate Notes and Covered Bonds	Green	In-house and Fund Managers	25%	As per colour

2. Maturities in excess of 1 year

	* Minimum Credit Criteria/Colour Band	Use	Max % of total investments	Max. maturity period
Term deposits – local authorities	-	In-house	25%	As per colour
Term deposits – banks and building societies	Green	In-house	25%	As per colour
Certificates of deposit issued by banks and building societies covered by UK Government (explicit) guarantee)	Green	In-house	25%	As per colour
Certificates of deposit issued by banks and building societies covered by the UK government banking support package (implicit guarantee)	Green	In-house	25%	As per colour
Certificates of deposit issued by banks and building societies NOT covered by UK Government support package (implicit guarantee)	Green	In-house	25%	As per colour
UK Government Gilts	UK sovereign rating	In-house and Fund Managers	25%	As per colour
Property Funds	-	Externally Managed	25%	Up to 5 years and over

For both Specified and Non Specified Investments, due to the continued uncertainty in the financial markets, it is recommended that the Investment Strategy is approved on a similar approach to previous years which will provide officers with the flexibility to deal with any unexpected occurrences. Officers will restrict the pool of available counterparties from this criteria to ensure that security of capital remains the paramount consideration. Currently this may involve the use of the Debt Management Account Deposit Facility (DMADF), AAA rated Money Market Funds and institutions (as deemed appropriate) with higher credit ratings than those outlined in the investment strategy or which are provided support from the Government. Investments are currently being maintained up to 12 months, although this will be kept under review and longer term investments may be considered within the approved policy in the future. This is also applicable to the approved countries detailed in Appendix 6.

APPENDIX 6 APPROVED NON UK COUNTRIES FOR INVESTMENTS (correct as at date of report)

AAA

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

AA+

- Finland
- Hong Kong
- USA

The Council has determined that it will only use approved counterparties from non UK countries with a minimum sovereign credit rating of AA+ from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). This list will be added to or deducted from by officers should ratings change in accordance with this policy. For the UK revert to Capita Methodology (currently AA).

In addition to the minimum sovereign credit rating, no more than 25% would be placed with any individual non-UK country at any time, should they meet the credit worthiness criteria.

APPENDIX 7 TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Full Council

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

(ii) Committees/Council/responsible body –Overview and Scrutiny Committee with recommendations from the Treasury Management Review Panel as appropriate

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Body/person(s) with responsibility for scrutiny – Overview and Scrutiny Committee with recommendations from the Treasury Management Review Panel as appropriate

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

**APPENDIX 8 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151
OFFICER**

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers



Overview & Scrutiny Committee

Briefing Paper

Report of: Dean Piper
Head of Economic Development & Regeneration –
North Worcestershire

Date: Thursday 2nd February 2017

Lion Fields, Kidderminster – Development Proposals

1. Summary

1.1 The purpose of this report is to invite the Committee to consider the next steps for the Council in bringing forward re-development proposals for 'Parcel 1' of Lion Fields, which forms part of the Kidderminster Eastern Gateway Development Framework.

2. Background

2.1 Members will be aware that in July, Cabinet approved a new vision and preferred development option for the Kidderminster Eastern Gateway area as part of an overall Development Framework (produced with the assistance of Savills).

2.2 The Development Framework is intended to guide and inform the comprehensive regeneration of the Eastern Gateway, now branded for marketing purposes as Lion Fields and provide a route map for the Council and other public sector land owners to realise the value of their land assets. Lion Fields was a name that was identified through the public consultation process in February 2016 on the basis that the name had a historical connection with the Eastern Gateway area.

2.3 The Development Framework splits the site up into six development parcels which could come forward to the market in phases and independently of each other, yet complementing each other to achieve the comprehensive re-development of the Lion Fields area as a whole. Following Member engagement and public consultation exercises, and input from O&S Committee, Cabinet agreed that the preferred development option for Lion Fields should be a mixed use scheme, anchored by a multi-screen cinema complex, with restaurant/café units and a multi-storey car park with the remainder of the scheme including residential accommodation, retail units and a conversion of the former Magistrates Court into creative workspace.

2.4 As part of the Framework report, Savills identified the former Leisure Centre and the adjoining open land owned by Worcestershire County Council as

Parcel 1 of Lion Fields. The Development Framework set out the Council's ambition for Parcel 1 and the preferred option is to develop a cinema and leisure hub. Savills have been retained to support the Council to achieve the disposal of Parcel 1 (and subsequent phases).

2.5 During October / November, the Council conducted an informal marketing exercise to test developer interest in bringing forward Parcel 1. A marketing brochure (see Appendix 1) was sent out to prospective developers with an invitation to submit an expression of interest. There was a strong response from developers, with 13 Expressions of Interest received, which provides the Council with confidence that there is developer interest in delivering a cinema and leisure hub.

2.6 In advance of commencing a formal disposal process, the Council has taken active steps to demolish the former Glades Leisure Centre building and prepare the site for re-development. The demolition of the building will increase the attractiveness of the site to developers and send a clear signal out to the market that the regeneration of Lion Fields is underway. Following a competitive procurement process, a suitably qualified and experienced demolition contractor, AR Demolition Ltd, has been appointed to carry out the work and the works should be completed by April 2017.

3. Key Issues

3.1 The Council now needs to commence the formal process of disposing of Parcel 1 and selecting a developer that can deliver against the Council's aspirations.

3.2 Parcel 1 is in the joint ownership of the Council and Worcestershire County Council as indicated on the plan at Appendix 2. The land will be disposed of to facilitate the re-development of Parcel 1 and will generate a capital receipt for both land owners. The amount of land to be disposed of on Parcel 1 will be approximately 2.79 acres with 2.23 acres owned by the Council and 0.56 acres owned by Worcestershire County Council.

3.3 Officers have retained Savills to advise the Council on the most appropriate way of securing development on Parcel 1 and to develop a marketing plan to promote the site to developers.

3.4 A number of options have been explored by officers to enable the delivery of the cinema and leisure hub on Parcel 1 including:

- a. Direct delivery of a redevelopment scheme by the Council;
- b. Disposing of the land to developers through a site sale process;
- c. Award to a Developer to deliver a redevelopment scheme under a development agreement following Public Procurement Regulations 2015

Option A - Direct delivery of a redevelopment scheme by the Council

With this option, the Council would take direct control of the project and manage the process, right through from designing the scheme, procuring contractors, gaining a planning consent, funding the development and securing occupiers, ideally on a pre-let basis.

Whilst the Council is currently exploring the potential to invest in smaller scale development schemes and commercial opportunities, it does not have any direct experience of delivering major mixed use development projects and would be at an immediate disadvantage in competing with developers who have established links with prominent cinema / leisure operators. The Council would be exposing itself to considerable risk, therefore this option is not recommended. However, the possibility of the Council directly investing in a redevelopment using its Capital Portfolio Fund remains an option.

Option B - Disposing of the land to developers through a site sale process

This option would involve the Council marketing Parcel 1 to prospective developers through a conditional site sale process (conditional on the grant of planning permission) under a simple marketing process. The Council could seek to exert some control over the process by imposing restrictions or covenants which aim to control the type of development that is built on the land but what can be achieved is extremely limited. As soon as there are seen to be requirements for a specific type of development i.e. the Council is prescribing what it wants, then EU procurement rules apply. The Council could also exert influence over the form of development in its role as the planning authority, but again, this is restricted as, provided an application is Local Plan policy compliant and technical requirements are met, refusal would be difficult, even if it did not deliver the Council's commercial aspirations. The Council would generally be required to dispose of the land at not less than best value but where restrictions are imposed that reduce the prices and/or the economic or social benefits of a scheme can be demonstrated, the Council would have discretion to dispose of the land at less than best value, subject to the undervalue not being more than £2m.

Theoretically, this option could be the quickest way of securing a developer, as it is estimated that it could take between 8 and 12 weeks from placing the initial advert through to appointing a developer. However, this option does not provide the Council with the ability to specify what it wants to see developed on its land and exert influence on factors such as design and pace of delivery. Given the Council's aspirations for Parcel 1 and its strong desire to attract a cinema and leisure hub onto the site, it is therefore not recommended to proceed with this option.

Option C - Award to a Developer to deliver a redevelopment scheme under a development agreement following Public Procurement Regulations 2015

This option would involve the Council selecting and appointing a developer to deliver a cinema and leisure hub scheme by undertaking a competitive procurement process. A contract with specific delivery requirements such as this is viewed, for the purpose of procurement, as a works contract and is therefore subject to the procurement regulations. It is envisaged that it would take between 6 and 12 months to appoint a developer depending on the process that is selected by the Council. Developers are familiar with this type of approach and such a process involves the developer taking all of the development risk.

- 3.5 Given that the Council set out in the Development Framework its aspiration to attract a cinema and leisure hub onto Parcel 1, the developer procurement option (Option C) should provide greater certainty and control to the Council and it is therefore recommended that the Council should select this option. It is acknowledged that the timeframe of a procurement process is longer than would be preferred, but it is considered that this should provide the most effective way for the Council to achieve the development it seeks.
- 3.6 Assuming that the developer procurement route is selected; consideration also needs to be given to the various procurement options that comply with the Public Contract Regulations 2015; these include, 'open', 'restricted', 'competitive dialogue' and 'competitive dialogue with negotiations'. These options are identified and evaluated at Appendix 3.
- 3.7 Based on advice from officers and Savills, it is proposed that the 'restricted' procedure will be used in this instance as the Council is able to specify clearly at this stage the type of scheme that it wishes to see delivered on the site. The Council's ambitions for Parcel 1 are set out in the Development Framework that was approved by Cabinet in July 2016 and the preferred option identifies Parcel 1 as suitable for cinema use, supported by family cafes/ restaurants and a multi-storey car park. The restricted procedure provides the Council with the opportunity to undertake a two stage process; stage 1 involves bidders completing a 'Selection Questionnaire' (SQ) and then a shortlist for Invitation to Tender (ITT) is drawn up based on an evaluation of the specific pre-qualification information that bidders have been requested to complete.
- 3.8 The Council will use a drafted Development Agreement to set out exactly what it expects from a development so that bidders are clear at the outset of the process as to what the Council expects; the agreement will include 'longstop dates' to set out the timeframe in which it expects a development to be delivered by the selected development partner and/or any development conditions need to be complied with. This should provide the Council with greater certainty and control of the process and should mitigate the risk that a developer does not progress the development as expected. As part of this procedure, the Council can shortlist a minimum of five bidders (or, if less, the

number of qualifying candidates) to take forward to stage 2 (ITT). This ensures that only appropriately qualified and experienced bidders are formally invited to tender.

3.9 Through the procurement process, it is envisaged that proposals from potential development partners will be evaluated using a scoring matrix that will consider the following criteria:

- Evidence that the potential developer shares the ambition of the landowners to deliver a place making, commercially viable scheme in accordance with the vision and preferred development mix set out the Kidderminster Eastern Gateway Development Framework;
- Relevant track records which illustrate:
 - a. the necessary levels of expertise working with brownfield regeneration sites to secure planning, overcome any site constraints and construct infrastructure to enable development;
 - b. working in partnership with the public sector;
- Financial implications of the proposal for the Council including future capital receipts, income and business rate uplift;
- Evidence of scheme viability and deliverability
- Proposed programme including realistic timescales and milestones.

3.10 Given that Parcel 1 is in the ownership of the Council and Worcestershire County Council, Savills have been instructed to prepare a landowners agreement which will set an agreed basis for collaboration between both parties. The agreement will extend to including details of how any upfront development costs and values achieved on the site will be shared between the two parties. The aim will be to develop a cost and value sharing formula which is fair and equitable to both parties.

3.11 It is proposed that a report will be taken to Cabinet in February to agree the process for the re-development and disposal of Parcel 1 of Lion Fields and to agree the level of delegations to officers in take forward this process.

4. Options

4.1 The Overview and Scrutiny Committee is invited to consider this report and:

1. Recommend to Cabinet that the 'restrictive' procurement process is used to procure a developer to deliver the Council's ambitions for Parcel 1 of Lion Fields or
2. To recommend to Cabinet an alternative process for the delivery of Parcel 1.

5. Consultation

5.1 Corporate Leadership Team / Cabinet.

5.2 Cabinet Member for Planning & Economic Regeneration.

6. Equality Impact Needs Assessment

6.1 There are no issues to be addressed.

7. Wards affected

7.1 Blakebrook & Habberley South

8. Appendices

Appendix 1 - Lion Fields Marketing Brochure

Appendix 2 – Plan showing land for disposal

Appendix 3 – Procurement options

9. Background Papers

Strategic Asset Management Plan

Kidderminster Eastern Gateway – Development Framework

Officer Contact Details:

Name: Dean Piper
Title: Head of Economic Development & Regeneration
Contact Number: 01562 732192



LION FIELDS

PARCEL ONE

KIDDERMINSTER DY10 1PP



'Lion Fields' is a rare opportunity to deliver comprehensive redevelopment of the eastern gateway to Kidderminster town centre.

Parcel One provides an exciting brief to deliver the first phase of a high quality mixed-use development that is complementary to and integrated with the wider scheme and town centre function.

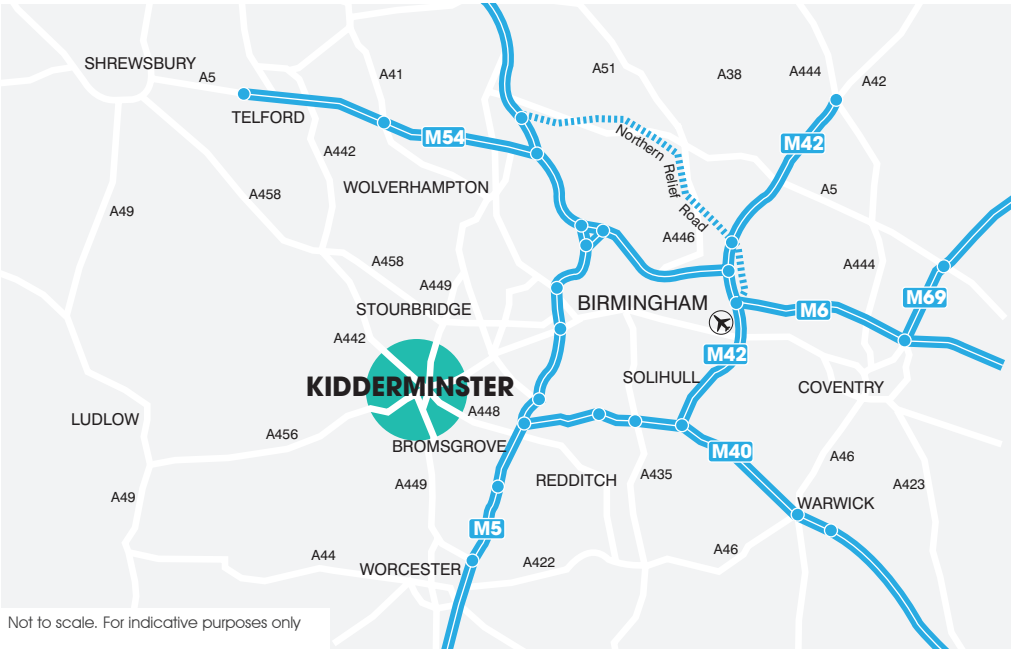
EXECUTIVE SUMMARY

Wyre Forest District Council (WFDC) alongside North Worcestershire Economic Development and Regeneration (NWEDR) are seeking a developer with the skills, financial resources and ambition to deliver a leisure-led mixed use development in Kidderminster.

Lion Fields is a site of approximately 6.5 hectares (16 acres) and takes its name from both historic and current references to the locality. It is envisaged that redevelopment will comprise a mix of uses incorporating leisure, retail, residential, creative and community uses.

A Development Framework setting out WFDC’s vision for Lion Fields has been adopted in support of redevelopment. A land owners agreement has also been created with the majority of the freehold interests falling within public sector ownership.

Phased delivery of the wider site is proposed. This invitation relates to expressions of interest for Parcel One which comprises approximately 1.44 hectares (3.56 acres).



Historic Map of Lion Fields (1903)



THE SITE

Lion Fields extends over the eastern area of Kidderminster town centre. The site is bounded to the north by Coventry Street, to the west and south by Worcester Street and Oxford Street, and the east by the Ringway (A451).

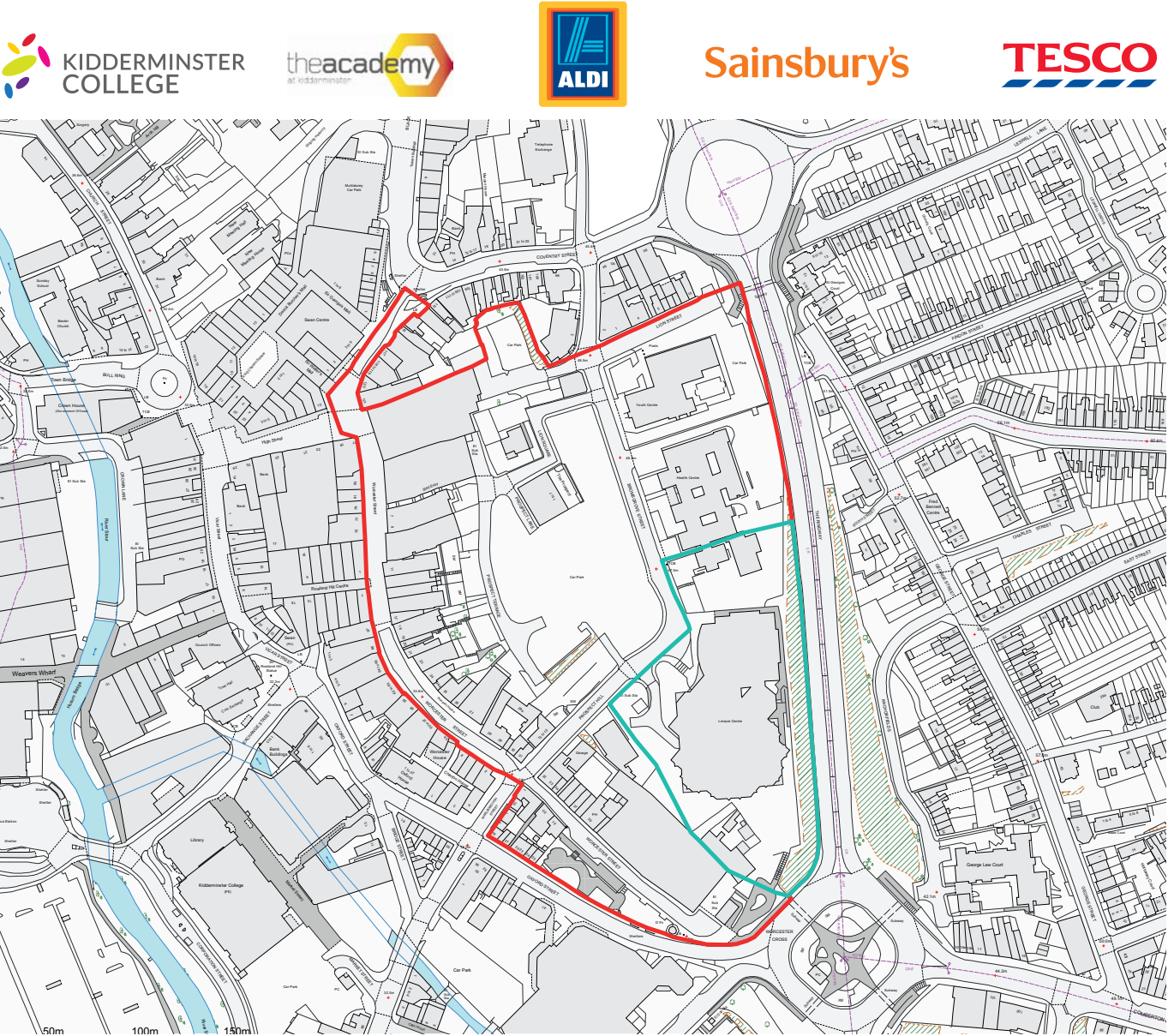
The north east and south east of the site meet with traffic island intersections. The southern traffic island forms the junction of Oxford Street, the ringway and Comberton Road. Comberton Road provides convenient access to Kidderminster railway station approximately 0.8 km (0.5 miles) distant.

Kidderminster railway station provides regular commuter services to Birmingham Snowhill / Moor Street and to Worcester Foregate Street / Shrub Hill via Droitwich. In addition, there are several direct daily services to and from London Marylebone.

The northern traffic island forms the junction of Coventry Street and the ringway. Coventry Street becomes the A456 providing direct access to Birmingham approximately 29 km (18 miles) distant.

Overall, the Lion Fields development area extends to approximately 6.5 hectares (16 acres). Current uses include public car parking, the former Glades Leisure Centre (to be demolished), medical centre uses and retail. The locally listed former Magistrates Court fronts Worcester Street to the southern part of the site. Buildings on site are of varying age and construction.

Uses in close proximity include supermarkets (Aldi, Morrisons, Sainsburys and Tesco), The Museum of Carpet, Kidderminster College, Kidderminster Academy, Premier Inn and national retailers at the Weavers Wharf and Crossley Retail Parks.



NOTE:- Reproduced from the Ordnance Survey Map with the permission of the Controller of H.M. Stationery Office. © Crown copyright licence number 100024244 Savills (UK) Ltd. NOTE:- Published for the purposes of identification only and although believed to be correct accuracy is not guaranteed.

PARCEL ONE – FAMILY LEISURE HUB

Parcel One is situated to the south east of the Lion Fields development site. It will act as an entrance and gateway to the wider development and is the first parcel brought forward for delivery.

The parcel is bounded to the north by an NHS Trust Medical Centre, the south by a traffic island intersection and the former Magistrates Court, the west by Prospect Hill/ Bromsgrove Street and the east by The Ringway (A451) ring road.

Parcel One extends to approximately 1.44 hectares (3.56 acres) and formerly included the Glades leisure centre, which WFDC are demolishing, clearing the site to enable redevelopment.

Within the Development Framework, the preferred option identifies Parcel One as suitable for cinema use, supported by family cafes/ restaurants and a multi-storey car park.



PLANNING OVERVIEW & THE OPPORTUNITY

WFDC has adopted a Development Framework to support delivery of Lion Fields. The core aims and objectives of the Development Framework are as follows:

- To rebalance and improve the vitality of the town centre as a whole;
- To diversify the town centre offer with uses that generate an improved day and night time economy and footfall;
- To improve connections to Worcester Street and the High Street, to augment the scheme's interaction with the Town Centre core;
- To support local business and enterprise; and
- To encourage greater dwell times, through improved public spaces and uses serving the community.

The preferred option proposes a comprehensive leisure-led mixed use development incorporating leisure, retail, residential, creative workspace and community uses. An indicative land use plan and key is provided opposite.

Whilst the Development Framework provides a preferred option and mix of uses for Parcel One and the wider site, the Framework remains flexible and alternative uses will be considered on their merits.

1. Cinema with cafe/ bar/ restaurants and multi-storey car parking
2. Creative/ serviced workspaces with active ground floor uses and basement gym
3. Cafe/ bar with residential/ workspaces
4. Retail use and/ or Residential
5. Existing Youth Centre
6. Community use (education/ healthcare) and/ or Residential
7. Retail/ leisure – independents
8. Cafe/ bar to rear/ upper floors of Worcester Street properties
9. Key gateway for pedestrians/ cyclists
10. New gateway square
11. New public realm
12. Significant urban realm





METHOD OF SALE & DEVELOPER SELECTION PROCESS

Expressions of Interest (EOI)

Expressions of interest for Parcel One are invited from developers with the skills, experience, financial resources, commitment and ambition to deliver this strategically important development.

Stage 1: EOI Response Requirements

In order to submit an EOI, the following information is required:

- > Key contact information for personnel leading and associated with the expression of interest.
- > Track records illustrating delivery of leisure-led mixed use schemes.
- > Financial status and company details, including proof of funding demonstrating the capability to perform on a purchase.

The deadline for expressions of interest is **noon 11th November 2016**.

EOIs should be submitted to:

For the attention of Siobhan McCrystal / Edward Jeffrey

Savills
Innovation Court
121 Edmund Street
Birmingham
B3 2HJ

Stage 2: Formal Bid Round

Parties who are successful at Stage 1 EOI will be invited to submit a formal bid as part of the Stage 2 process. Successful parties will be issued with user login details to the dedicated extranet site.

A full suite of technical reports, plans, legal documentation and planning information will be made available on the extranet site.

Developer Interviews

Developer interviews will be set up to provide an opportunity for Stage 2 successful parties to meet with WFDC and NWEDR.

1. Viewpoint from Comberton Roundabout / Oxford Street looking towards former Magistrates Court
2. Mixed use view from north on Bromsgrove Street
3. Viewpoint from corner of Bromsgrove / Lion Street
4. Viewpoint from Worcester Street looking towards Prospect Hill

FURTHER INFORMATION

For enquiries please contact:

Siobhan McCrystal
0121 634 8410
smccrystal@savills.com

Edward Jeffrey
0121 634 8478
ejeffrey@savills.com



Important Notice

Savills and their clients give notice that:

1. They are not authorised to make or give any representations or warranties in relation to the property either here or elsewhere, either on their own behalf or on behalf of their client or otherwise. They assume no responsibility for any statement that may be made in these particulars. These particulars do not form part of any offer or contract and must not be relied upon as statements or representations of fact.
2. Any areas, measurements or distances are approximate. The text, photographs and plans are for guidance only and are not necessarily comprehensive. It should not be assumed that the property has all necessary planning, building regulation or other consents and Savills have not tested any services, equipment or facilities. Purchasers must satisfy themselves by inspection or otherwise.

Designed and Produced by Savills Marketing: 020 7499 8644 | September 2016



APPENDIX 3

Procurement Options

The Public Contracts Regulations 2015 set out the following procurement options. All options require advertising in OJEU and the application of the principles of transparency, non-discrimination and equal treatment.

Open

This procedure allows anyone interested in the contract to submit a tender. A potential disadvantage to this procedure is the lack of control over the number of tenders submitted, potentially leading to excessive wasted bid costs and considerable officer time input. Given that Savills have already carried out market engagement and identified interested bidders this may be an appropriate route. However, the OJEU advert will expose the development to a wider audience and additional bids cannot be ruled out. Selection criteria can be included in the documentation which would limit the number of tenders requiring full evaluation to those companies who satisfy the selection criteria. However, the process may discourage bidders from investing in their bids if the net is cast too widely and they perceive little chance of success.

Restricted

The restricted route allows the Council to limit the number of tenders by conducting a selection questionnaire to assess the financial standing and suitability of contractors before they are asked to submit their tender. Five or more bidders are then selected from those who qualify and invited to tender. As bidders know they are shortlisted it is potentially more attractive to them to properly engage in the process.

With both the Open and Restricted route negotiation is not permitted, once tenders are received only clarification discussions are allowed. It is therefore essential that the specification within the tender documents is clear enough to ensure tenders provide workable solutions. The requirements of the Council in relation to the Lion Fields site are not so prescriptive that negotiation should be required.

Competitive Procedure with Negotiation

Because there is a design element to the Lion Fields project, the Council could choose to follow the Competitive Procedure with Negotiation. This procedure follows a similar procedure to Restricted but having received tenders the Council may consider the tenders, negotiate with tenderers and then invite all tenderers to submit final tenders to meet an amended specification. It is not essential to enter the negotiation stage if the Council is happy to award a contract on the basis of the initial tender submission. Provided the invitation to tender is clear as to what the Council's requirements are, then there may be nothing to be gained from negotiation which would further delay award.

Competitive Dialogue

Competitive Dialogue has an extended period of dialogue to competitive procedure with negotiations and it is more appropriate where the authority is not clear what it requires. The period of dialogue allows the authority to input into the bid and for bidders to create a solution which meets the authority's needs. More than one bidder enters the dialogue (usually three) so the competition element remains throughout the process. Once the authority is satisfied that at least one of the bids can provide a satisfactory solution it calls an end to the dialogue and the tenderers must all submit a final tender. Following this point all dialogue ends and the authority evaluates the tenders in the usual way (evaluation criteria

must be established at the outset of the process). Competitive Dialogue is not a popular route with contractors as it can be expensive and a lengthy process.

It is not considered that the remaining options of **negotiated procedure** and **innovation partnership** are available for this project.

The pros and cons of the available options are set out in the table below:

	Pros	Cons
Open Procedure	Likely to be the shortest timescale	Some bidders may not submit due to the potential of a high number of tenders
	Can include selection criteria within the one stage process and eliminate bidders who do not meet the minimum suitability standards	The Specification and Contract Terms need to be finalised at outset of the procedure, intensifying time input in initial stages
		Potentially higher input of officer time due to higher number of tenderers. Would need to evaluate all tenders where bidders met the minimum suitability standards
Restricted Procedure	Less tenders to evaluate as can limit number invited to 5	Two stage process therefore will take longer than the Open procedure
	Process is reasonably simple (tried and tested) so will involve less officer time / external support than Competitive Procedure with negotiation or Competitive Dialogue	No negotiation permitted so if no acceptable bids submitted will need to start process again.
		As with the Open Procedure the Specification and Contract Terms need to be finalised at outset of the procedure, intensifying time input in initial stages
Competitive Procedure with Negotiation	Possibility for negotiation if needed but no requirement to if suitable tender received	There is the possibility of negotiation stage becoming complex
		This is a new procedure so officer input would be greater with the potential that external support may be required.
Competitive Dialogue	The Council would be able to have extended dialogue with the tenderers potentially increasing the suitability of the	This route is not favoured by bidders as proves to be lengthy and expensive.

	development.	
		Given that the Council does not wish to be over-prescriptive with the requirements the flexibility within this procedure is not necessary.
		High officer input.

WYRE FOREST DISTRICT COUNCIL

**FEEDBACK FROM CABINET MEETING HELD ON
TUESDAY 20TH DECEMBER 2016**

**Agenda
Item No.**

DECISION

7.1

Review of District Car Parks 2016

In line with the recommendations from the Overview and Scrutiny Committee, 1st December 2016

Decision:

- 1 To include the proposed schedule of car park and season ticket charges outlined in 4.8 and 4.9 of the report to Cabinet in the budget proposals for 2017/18, to take effect from October 2017.**
- 2 The re-designation of all car parks in the District to SHORT or LONG stay car parks be agreed.**
- 3 The Wyre Forest District Council (Off Street Parking Places) Order 2016 (no 2) be amended and consulted upon to accommodate the changes in recommendations 1 and 2 as necessary, together with any further minor drafting amendments which, in the opinion of the Director for Community Well Being and Environment are required and that the Cabinet Member for Operational Services be given delegated authority to consider any representations made as a result of the public consultation and to finalise the revisions to the Order.**

9.1

Town Centres Busking Policy

In line with the recommendations from the Overview and Scrutiny Committee, 1st December 2016

Decision:

The Wyre Forest District Buskers Code (Appendix 1 of the report to Cabinet) be approved.

Overview and Scrutiny Committee Work Programme 2016-2017

June 2016

“How are we doing?” Q4 update (Housing and Planning)
Tracking Recommendations from 2015-2016
Temporary Accommodation Policy
A Strategy for Enabling Business Growth and Enterprise
Local Development Scheme

July 2016

Nominations for the Treasury Management Review Panel
Housing Assistance Policy
Kidderminster Eastern Gateway Development Framework

September 2016

“How are we doing?” Q1 update (Enabling)
Treasury Management Strategy Statement and Annual Investment Strategy Backward Look 2015/16
Section 106 Obligations Supplementary Planning Document (SPD)
Health Action Plan
Climate Change Action Plan
Recommendations from S106 Monies Review Panel
DFG's Presentation
Safer West Mercia Plan Consultation

October 2016 – Cancelled

November 2016

“How are we doing?” Q2 update (Business and People)
Treasury Management Strategy Statement and Annual Investment Strategy Mid Year Report 2016/17
Council Tax Reduction Scheme Review 2017/18
Report on the Worcestershire Partnership Plan
Alternative Temporary Accommodation Provision
Wyre Forest District Local Plan Review: Revised Local Development Scheme (Project Plan 2016 - 2019)
EXEMPT - Industrial Units Investment Business Case

December 2016

Review of District Car Parks 2016
Town Centres Busking Policy

January 2017 – Cancelled

February 2017

“How are we doing?” Q3 update (Place)
Treasury Management Service Strategy 2017/18
Local Transport Plan 4 Consultation (presentation from WCC)
Disposal of Land at Lion Fields

March 2017

Annual Crime & Disorder Review

Worcestershire Housing Partnership Plan

Local Transport Plan 4 Consultation Response

Community Housing Group - Review of Nominations

April 2017